

JPRS-CAR-89-025  
24 MARCH 1989



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

# **China**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

**DTIC QUALITY INSPECTED 1**

19980812 080

# China

JPRS-CAR-89-025

## CONTENTS

24 MARCH 1989

### INTERNATIONAL

#### GENERAL

- Trends in Contemporary International Relations Discussed [SHIJIE ZHISHI No 23] ..... 1  
History of Soviet-Israeli Relations Outlined [SHIJIE ZHISHI No 24] ..... 2

### POLITICAL

- Symposium on Chinese Political Culture Reported [ZHENGZHIXUE YANJIU No 6] ..... 5

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

- Summary of Mid-Term Economic Reform Schemes [GAIGE No 6] ..... 8

#### FOREIGN TRADE, INVESTMENT

- Contracted Responsibility System in Foreign Trade Discussed [GUOJI MAOYI WENTI 30 Dec] ... 14

#### AGRICULTURE

- Shanxi Wheat Yield [SHANXI NONGMIN 7 Feb] ..... 17  
Sichuan Fertilizer Output [SICHUAN RIBAO 10 Feb] ..... 17

### SOCIAL

- Speech on Democracy by Poet Shao Yanxiang [Hong Kong CHING PAO No 137] ..... 18

### TAIWAN

- Secret Document Regulating Unofficial PRC-Taiwan Contacts  
[Hong Kong KUANG CHIAO CHING No 195] ..... 21  
New DPP Chairman Huang Hsin-Chieh Interviewed [CHIUSHIH NIENTAI No 12] ..... 22

### HONG KONG, MACAO

- Prospects for Formation of Party System in Hong Kong [PAI HSING No 182] ..... 25

## GENERAL

### Trends in Contemporary International Relations Discussed

40050188 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 23, 1 Dec 88 pp 28-29

[Article by Huang Jinqi 7806 6855 4388: "A Discussion of the Progress in Contemporary International Relations"]

[Text] International experts and scholars across the globe are debating whether or not the world has entered a new era. In fact, this new era is merely a continuation of the postwar period. After more than 40 years of evolution, the codes, principles and rules of international behavior, which were established four decades ago and which reflect the progress mankind has made, are winning growing acceptance in the international community and are increasingly being followed. This article will provide a few examples in an attempt to illustrate this point.

*The principle of equal sovereignty is the cornerstone of contemporary international relations and the basic principle guiding contemporary diplomatic practice.* Actually, the idea of sovereignty arose as early as several centuries ago, and its subsequent elaboration reflects the steady development of international relations. First raised in Europe, as a result of the opposition of feudal monarchies to control by the Roman Catholic Church, the idea was defined in the 16th century by Jean Bodin, a Frenchman, as a concept, which reflected the idea of using absolutist monarchy against the separatism practiced by feudal lords. The spread of the concept to China was closely tied to the opposition of the Chinese people to the expansion of imperialist encroachment and to their effort to win national liberation and independence in modern times. However, prior to World War II, sovereignty, now a principle, did not become a universal guiding code for the conduct of international and diplomatic relations. For example, the contemporary practice of ranking diplomatic missions by "precedence" is based on the principle of equal sovereignty and ranks all diplomatic missions stationed in a nation according to the dates on which they presented their credentials. This rule, which looks like an arrangement based on equality, was established at the Congress of Vienna which, however, applied the rule only to the European powers, then consisting of the "five hegemonies," Great Britain, Russia, Austria-Hungary, Prussia, and France. These powers would accept only emissaries, not ambassadors, from medium and little countries, including Japan. Thus the diplomatic representatives of these countries naturally stood a cut lower and were discriminated against, so what precedence could they hope to obtain? That goes even more for the colonies and semicolonies spread across Asia, Africa and Latin America. Thus even though the appearance of the principle of sovereignty among European monarchies, which had been dominated by the papacy, marked a step forward for that world, the principle failed to become the universal standard guiding

relationships among all nations. Instead, during each era prior to World War II, the "code" governing international relations had always been "the strong bully the weak, and the many brutalize the few," in other words, "power politics" and "might makes right," practices that run completely counter to the principle of sovereignty.

The turning point was the founding of the UN and the passage of the UN Charter in 1945. Only at that point and thereafter could the codes, principles, rules and conventions manifesting the progress mankind has achieved gradually come to be universally recognized and accepted in international relations. That is because the UN and its charter were the products of the total victory won in the fight against and represented a repudiation of fascism, which glorified military might, wantonly trampled the sovereignty of other nations and cruelly crushed human rights. The socialist Soviet Union and the newly liberated China, both of which made great contributions to the effort in World War II, also participated in the establishment of the UN. These developments enabled the victorious international community to draw lessons from "these two unspeakable calamities of war that modern man has endured" and the UN to formulate a series of aims and principles that were designed to "avoid future recurrence" of such wars and marked a major step forward in international politics. These events naturally have had a profound and far-reaching effect on the development of contemporary diplomacy.

*Among the the UN's aims, such principles as "respect for equal rights and self-determination" and "civil rights and basic freedoms for all mankind without regard to race, sex, language or creed" have provided the bases for international agreements on campaigns against colonialism and racism in the postwar period.* The vast majority of former colonies and dependencies are now independent, sovereign states. According to the principle of equal sovereignty, once sovereign, all nations, regardless of size or wealth, are equal before international law, and once in the UN each has an equal voting right. Now, 40-odd years after the war, the international community is comprised of some 160 legally equal sovereign nations. This fact provides the material basis for the universal acceptance and implementation of diplomatic codes of behavior in this age and is an outstanding manifestation of the progress achieved in contemporary international affairs.

*A second aim of the UN is the development of friendly international relations.* Article 3 of the Vienna Convention on Diplomatic Relations provides that "promoting friendly relations between the sending state and the receiving state and developing their economic, cultural and scientific relations" are basic functions of diplomatic missions. This represents a major advance beyond the three traditional functions of negotiating, protecting and observing. The change is not only quantitative but qualitative as well, for it expands the scope of diplomatic activity, requires that diplomatic representatives be

multitalented, and directly affects mission organization. The three traditional functions all treat the host state as an adversary and highlight the contradictions among nations. The new function of developing friendly relations, on the other hand, emphasizes the commonality of interest among nations. This is a vivid reflection of the unique features and the progress of contemporary diplomacy and is an indication of the great changes that have occurred in international relations since the war. Chinese leaders have repeatedly pointed out that the two great issues confronting the world today are peace and development, which issues perfectly reflect the features and trends of contemporary diplomacy.

*Another example is the principle of consensus among the big powers, which is embodied in the veto power the five permanent members of the UN Security Council possess, in another historical product of the fight against fascism, and has had a far-reaching effect on contemporary international relations and diplomatic practice.* The Chinese people gained big-nation status through 8 years of bloody war—it was not easy. Only after China's legal rights in the UN were restored in 1971 was the veto exercised in its name truly controlled by its people's one and only legitimate government. The veto is now the subject of great controversy. But since for the moment that power cannot be abolished, its possession by China, a socialist, Third World country, is a concrete manifestation of the progress that has occurred in contemporary diplomatic relations, would have been completely unimaginable before the war, and certainly serves as a stabilizing and progressive factor in current world politics and diplomacy, a factor that will grow stronger as China develops. Reality demonstrates this and will continue to do so.

The world is complex. The practice of "the strong bullying the weak and the many brutalizing the few" is a long, long way from being eliminated. Threatening other countries with military force or directly using military force to infringe their sovereignty or interfere in their domestic affairs, and other violations of accepted codes of conduct occur endlessly; local wars persist; and hegemony, racism and terrorism are rampant. In the last 40-odd years, the UN has fallen far short of the role it is supposed to play, especially during the first 20 years of its existence when, manipulated by the superpowers, it played a negative role, undermining its own aims and principles. Yet one cannot draw from this failure a negative conclusion regarding developments in contemporary international relations, for, after all, the aims and principles set forth in the UN Charter are good and are by no means empty rhetoric. Following the major changes that have occurred in world affairs and in the UN itself, the decline in the influence of the superpowers, the rise of Western Europe and Japan and, especially, the appearance of Third World nations and the restoration of China's legal rights in the UN, the aims and principles of the UN have become the cornerstone of contemporary international relations, guide contemporary diplomatic relations, represent the growing trend in diplomatic relations, and are becoming the major basis

and the powerful weapons that all nations cherishing peace and justice employ in their external relations. Any act violating these codes of behavior will be unpopular, will certainly be condemned by the international community and is doomed to failure. On 8 September 1988, Comrade Deng Xiaoping told foreign friends: "The history of the last several years shows that all efforts to achieve hegemony have failed or are failing." It is precisely for this reason that the international scene has markedly relaxed. Of course, international relations will continue to be thorny and there will be backsliding, but the general trend of progress cannot be reversed.

**History of Soviet-Israeli Relations Outlined**  
40050233 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 24, 16 Dec 88 pp 15-17

[Article by Xu Xiangqun 1776 0686 5028: "The Four Periods in Soviet-Israel Relations"]

[Text] Past experience—Supported the establishment of Israel and helped the nation survive during a dangerous situation.

In a short period of time—The situation has had changes, shifting with the Arab world seeking new alliances.

The present—Relations are thawing but there are still two large obstacles to overcome.

In the last 40 years Soviet-Israeli relations have been complicated and delicate, going through twists and turns, but can basically be divided into 4 periods.

**The Golden Era**

In 1947 at the second meeting of the United Nations, the Soviet Union supported establishing a Jewish state in Palestine and agreed with the plan for a separate government. Chief Soviet representative Gromyko stated at that time: "To refuse the Jews this right they wish for is not fair." The Soviet Union and all Western European nations voted to approve the resolution for a separate government for Israel. At this time the relations between the Soviet Union and Israel entered into a golden era.

On 14 May 1948 the nation of Israel was proclaimed. Three days later, the Soviet Union followed by the United States and Guatemala recognized Israel. Three months after this the Soviet Union hurriedly established an embassy at Tel Aviv. This was just as the first Arab-Israeli war broke out. The Israeli Army had not yet been formed and were extremely lacking in weapons and equipment. Israel, under attack by 5 Arab states and local Palestinians was in imminent danger. The Soviet Union then shipped a large number of weapons to Israel through an Eastern European country and helped Israel



survive during this dangerous situation. Israeli papers reported that the Soviet Union and Eastern European countries played an "important role" in the survival of Israel during this war.

In 1949, Israel became a member of the United Nations through the efforts and recommendation of the Soviet Union. The Soviet Union support for founding the Jewish state was based on considerations of historical background and its own interests. The tragic experiences of the Jews in World War II won the sympathy of the world's people, and their idea of establishing a state in Palestine was accepted by the majority of nations. The Jewish population in the Soviet Union and Eastern Europe was large, and because the people of the Soviet Union and Eastern Europe were deeply affected by the misery of the Jews, approved of the Jewish state.

After World War II, out of concern for strategic benefit, the Soviet Union strove to get a foothold in the Middle East and to push aside the influence of Great Britain and France. At that time most of the Middle East states were under the control of Great Britain and France. The Soviet Union believed that the emergence of Israel would give them a chance to open a hole in the sphere of influence enjoyed by Great Britain and France. During this period the dominant party in Israel was the Palestinian Labor Party, this party claimed to be a "Socialist-Jewish labor party" and advocated "Socialist as the appropriate path." Israel's second leading party, the United Labor Party, proclaimed using "Marxism" as its "ideological base," this party was clearly inclined towards labor. It seems the Soviet Union made an error in its estimation of the political situation in the early period of the state of Israel in thinking that Israel would become its outpost in the Middle East.

#### Deteriorating Relations

The Soviet Union's "honeymoon" outlook was short lived. In the 50s a drastic change occurred in the Middle East situation with the national liberation movement and the people's democratic movement flourishing along with Egypt suddenly becoming a republic. In addition, after the first Arab-Israeli war in 1947, the feelings of Arab nationalism were running high, especially in the one million Palestinians that were reduced to refugees, causing the Arabs to have even fiercer resistance against Israel. The various Arab states regarded the retaking of Palestine as their sacred duty and used this as an important indicator to measure the attitudes that non-Arab nations had towards the Arab states. Another aspect is that during this period there existed anti-Jewish sentiment in the Soviet Union which promoted the pro-United States, anti-Soviet Union trend to develop in Israel. This followed by Israel's Moscow line Communist Party and the United Labor Party having divergent views on questions with the Soviets caused a split in the party organization and the United Labor Party to drop from being the No 2 Party to the fifth position. The

Soviet influence in Israel was also reduced. In February of 1953 the bombing of the Soviet Embassy occurred and Soviet-Israeli relations were severed for a time.

The deteriorating Soviet-Israeli relations was also affected by East-West relation. The 1950s was the cold war era, the United States and Great Britain established the Baghdad Treaty Organization in the Middle East, NATO in the West, and the Southeast Asia Treaty Organization in Asia to surround the Soviet Union. To break up this encirclement the Soviet Union needed to strive for a new alliance in the Middle East. The intense feelings of Arab nationality and U.S.-Israeli ties becoming closer caused the Soviet Union to abandon its stance of support for Israel and shift to expanding its influence in the Arab states. When Great Britain and France got together with Israel and invaded Egypt, the Soviet Union was given a good opportunity to stick their hand into the Middle East. From here on the Soviet influence gradually permeated the Arab states. This created a pattern in the Middle East where there existed two major groups facing each other, the United States and Great Britain supporting Israel and the Soviet Union supporting both Israel and Egypt. Soviet-Israeli relations wound up in a condition of "not dying and not living," this lasted until the third Arab-Israeli war in 1967 when the Soviet Union severed relations with Israel and the association between the two nations was officially split.

#### Apparently Severed Relations Actually Still Connected

Although the Soviets broke off relations there were some channels of communications that naturally remained open. First of all there was no break off in the activities of Soviet Jews with the Jewish immigrants in Israel. The number of Jews in the Soviet Union was between 2.5 and 3 million which constituted three-fourths of the Jews in Europe and one-fourth of the Jews worldwide. After the Soviet Union broke off relations, the immigration did not stop but continued to grow. Between the years of 1968 and 1985, approximately 270,000 Jews left the Soviet Union, of these 165,000 went to Israel and the rest to the United States. During the 1970s there was a period of warming in U.S.-Soviet relations and the Soviets opened the door to immigrants. Each year there was over 10,000 Jews that applied for exit permits, and from 1978 to 1979 over 80,000 Jews left the country.

Secondly, visits by delegations from both countries, tourism, and other activities were not severed, and governmental contact quietly continued. The two countries maintained normal relations with the United Nations, Washington, and Europe. The Israeli Communist Party RAKAH was a legal political party in Israel and occupied a seat in the parliament. The Soviet Communists maintained close relations and had frequent interchange with the Israeli communists.

#### Relations Draw Close Again

Soviet-Israeli relations started to thaw in the 80s. In early 1984 Israeli papers suddenly published the eye catching news of a meeting between the Israeli ambassador to the

United States and the Soviet ambassador to the United States. After this meeting reports concerning Israel and the Soviet Union and East European nations increased. In 1985, during the period of the United Nations General Assembly, a meeting took place between Israeli Foreign Minister Shamir and Soviet Foreign Minister Shevardnadze, at this time Soviet-Israeli relations officially began to thaw. Since this time, Israeli relations with the Soviet Union and East Europe have taken a turn for the better. Israel sent a high-level delegation to visit East European countries, including Prime Minister Shamir and Foreign Minister Peres on a visit to Hungary. During the annual United Nations General Assembly, meetings between Israel foreign ministers and their counterparts from Eastern Europe have become routine. In 1987 a Soviet Consular Delegation visited Israel in the name of "discussing the situation of consulate affairs." In 1988 a diplomatic delegation from Israel made a visit to the Soviet Union to "develop affairs about consulate activities and to inspect the Israeli embassy buildings in the Soviet Union."

The improvement in their relations was related to the general warming trend of relations worldwide; the Soviet desire to improve its economic construction; and its wanting to expand economic relations with the West. Under the new international situation it is not that the Soviets don't want to show their previous existence in the Middle East but you could say it is another way to contend with the United States. Near the end of the 1970s Egypt expelled Soviet experts. Egypt switched to relying on both the United States and the Soviet Union during the "make changes concerning the Soviet Union" period of 'Abd-al-Nasir but relied more heavily on the United States. The United States also adjusted its persistent stance of support for Israel and paid attention to improving its relations with Arab states. The United States acted as a go-between in the signing of the Camp David Accords and the Egypt-Israeli Peace Treaty. The Soviet Union was deliberately excluded from the solving

of the Middle East conflict, and this was a bitter result for the Soviets to swallow. In order to counter this exclusion by the United States, the Soviets in addition to continuing to court closer ties with Arab states and strengthening already friendly relationships also concentrated on opening channels of communications with Israel and establishing relations. Under this backdrop, Soviet-Israeli relations thawed and made some progress. In order to do away with its isolated position in the world community, Israel naturally was willing to develop relations with the Soviets and even said that the re-establishment of Soviet-Israeli diplomatic relations was a prerequisite for the Soviets to participate in a Middle East Peace Conference.

Although there has been some improvement in Soviet-Israeli relations, it will be impossible to restore them to the level they were in during the late 40s. This is because there are still two major obstacles in Soviet-Israeli relations. The first is the Jewish problem in the Soviet Union. Although the Soviets have been relaxing its restrictions recently on its Jewish people, the number of Jews leaving the country is increasing (in September of this year over 9,000 Jews left the country, the largest number in the last several years). The Soviet Union has also relaxed restrictions on the Jewish religion, language, and building of Jewish temples, but there are still many problems connected with the Soviets changing their basic attitude concerning its Jews.

The second obstacle is the Soviet and Israeli stances concerning Arab nations. The Soviet position of support for Arab states, especially the struggle of the Palestinians is not apt to change. Provided the Israeli position regarding the Arab states and the Palestinians does not change, then it will be impossible for Soviet-Israeli relations to make a basic change for the better. In the period to follow, the Soviets may try, behind East Europe, to cautiously and quietly expand its associations with Israel in various domains.

**Symposium on Chinese Political Culture Reported**  
40050185 Beijing ZHENGZHIXUE YANJIU  
[POLITICAL STUDIES] in Chinese  
No 6, 10 Nov 88 pp 70-72

[Article by Wei Lei 7614 4320, Beijing Police Academy Theoretical and Educational Research Office: "A Summary of the Symposium on China's Traditional Political Culture and Political Development"]

[Text] The Symposium on "Traditional Culture and China's Political Development" jointly sponsored by the Institute of Political Science of the Chinese Academy of Social Sciences, the Study and Investigation Society and the Shekou Training Center was held 22-26 June. More than 40 experts and scholars from various research institutes, institutions of higher education, and publishing and news agencies from across the nation participated in the symposium, brought with them their thoughts and puzzles on Chinese political culture and politics, and engaged in an lively exchange of ideas, which at times roared into intense debate. Following is a summary of the major ideas presented at the symposium.

**I. The Goals of China's Political Development and the Direction in Which Political Culture Should Be Headed**

On the issue of the goals of China's political development, the participants arrayed into two opposing perspectives. The first argued that two goals are available: political democracy, and political stability. In advocating political democracy, adherents of this perspective argued, one must be cautious, for seeking too much democracy (rate of political participation) can lead to political turmoil. At one time (during the cultural revolution), China's rate of political participation was the highest in the world, but this was a mobilizationist type of participation which was characterized by much blindness and fanaticism. Democracy cannot be advocated in China during periods of monetary and economic instability; to do so would lead to social chaos and cause reform to come crashing down.

The other perspective maintained that, to make an evaluative judgment of traditional political culture requires a benchmark, which can only be located in the goals of political development. Should economic development emphasize freedom? Democracy? Equality/Fairness? Or efficiency? To determine which goal should be given priority, one must consider three factors: 1) social impact range; 2) opportunity repetition, namely, whether in selecting a particular goal one can effectively promote achievement of other goals; 3) feasibility. When we take these three factors into account, we see that it is freedom that should be given priority, for the following reasons: 1) Freedom is the prerequisite of and provides the groundwork for democracy. 2) Resolution of the problem of freedom will transform much of the problem of equality-fairness from a matter of government behavior to one of relations among the people. 3) The key to

improving the efficiency of Chinese society lies in increasing economic freedom, for freedom is the basic stimulus to social vitality. 4) One of the causes of political corruption is the fact that the government has too much power, and that power is too concentrated (viz., the systems of state ownership and of double-track pricing), so increasing freedom would knock the legs out from under and check corruption. 5) A bigger role for society relative to that of the government would reduce the reliance of society on the superior function of the government.

Although participants could not avoid making a pessimistic forecast, most believed that the development of China's government is increasingly rooted in the notion of political actors as players acting on the basis of their interests and that the transition from tradition to modernity is occurring along the following general lines: 1) a change from a centralized to a pluralized political structure; 2) a shift from an emphasis on resolving class contradictions to a focus on mediating clashes of interest; 3) a move from rule by men to rule by law; 4) transformation of a political culture emphasizing highly centralized power into a modern democracy.

**II. The Positive and Negative Effects of Traditional Political Culture on Contemporary Politics**

Most participants viewed traditional political culture as having a negative effect on contemporary politics. Some comrades argued that China's contemporary political culture has by no means extricated itself from the traditional model and that the latter emphasizes highly centralized politics which are rooted in an ideology that attaches great value to the role of groups in society. Change in this model presupposes prior development of market economy (a change in the system of ownership) and collapse of traditional political culture, as well as the introduction of modern Western political culture. Market economy and bureaucratic politics are now in sharp conflict with each other, with the result that market economy has rapidly eroded bureaucratic politics, causing the cultural breakdown that is the source of the corruption and degeneration that some people so bitterly decry. But this is not merely unavoidable, it is necessary. Only market economy can shatter traditional political culture and thereby pave the way for democracy. Thus we must not look to traditional political culture to find ideological weapons to combat corruption or seek to patch up traditional political culture, much less preach enlightened authoritarianism. Rather, we should maintain a critical distance, educate people about democracy, speed the collapse of traditional political culture and make theoretical and ideological preparations for the future establishment of democracy.

Other participants, however, expressed understanding and sympathy for the deep concerns of the New Confucianism and argued that excessive rejection of traditional culture will lead to a loss of national confidence,

which would undermine the effort to raise up the Chinese people as well as the cause of reform. Chinese culture still possesses many virtues, such as the following: 1) China long ago embraced the idea of fair and equal competition, and the West borrowed the notion of a functionally classified civil service system from China. 2) Strictly speaking, China has never been divided into social classes, and a commoner like Fan Zhongyan, for example, could rise to become prime minister. 3) Ancient China ranked society into scholars, peasants, artisans and merchants, placing scholars first. The veneration traditional culture displayed toward knowledge and intellectuals is suited to modern times.

Some comrades disagreed with these views, arguing that if increasing humanism in the nonpolitical sphere still has positive effects in modern society, then traditional political culture has only a negative effect on contemporary political development. In China, authorities at all levels and the average citizens all are seriously ensnared by the mentality of traditional political culture, such as the notions that power is everything, that the sage should hold power, that the pure and upright official should be dependent and subservient, of passive participation, and the like. Chinese traditional culture lacked the notions of fair and equal competition and of utilitarianism and was characterized primarily by the politics of ethics.

Some comrades explored the interaction between traditional political culture and the Chinese people's personality from the perspective of personality and power, concluding that people's traditional notion of the authoritative personality and authoritarianism reinforced each other in a vicious circle. The customary method employed by ruling dynasties to nurture the idea of the authoritative personality was sedulously to broaden the power gap, which effort produced the following consequences: 1) It caused the people to feel isolated from and indifferent to the government and its officials. 2) Corruption was rampant because there were no restraints. 3) The practice made pure and upright officials subservient. 4) The practice pettified values and encouraged the notion of omniscience. The fusion of the notions of power gap and of the authoritative personality has posed a serious hindrance to the development of democracy and industry in China. Thus reducing the power gap, undermining the notion of the authoritative personality and remolding modern man remain top priorities.

Some comrades have concluded from their study of history that China's greatest tragedy lies in the fact that its traditional culture showed its negative effects during times of stability and its positive effects only during times of dynastic collapse, when heroic acts were displayed by such people as Wen Tianxiang and Shi Kefa.

### III. The Methodology of Studying Political Culture

Method is a necessary prerequisite for the study of political culture. Some comrades argued that the study of political culture must stress gathering and processing of

data and that data generally fall into two categories—official and common. We must distinguish the “is” from the “should be” in these data. We can use the posthumous titles employed for emperors in traditional society to ascertain the value orientations and political attitudes of those times. We can also use the propaganda slogans employed and exemplary models established by ideological departments since the founding of the People's Republic as a frame of reference for examining the political culture of each period.

Some comrades attempted to establish an analytical framework from the perspective of systemics, arguing that the political culture of a political system may be seen as patterned cloth, with perception, emotion and evaluative judgment serving as the “warp” and the objects of perception, emotion and evaluative judgment serving as the “woof.” So the attitudes of the people of a political system toward political power and toward the input to and output from the government of that system; the open-mindedness the people display toward political life, their tolerance, their trust and their cooperative spirit; their understanding and emotional attachment to the norms of democratic constitutional government; and their own ability and sense of effectiveness form the basic pattern of the political system. This sort of analytical framework renders theoretical and empirical research more convenient and feasible. Of course, empirical research differs from philosophical, historical and comparative research, and to ensure the confidence level and explanatory power of empirical research we must solve a number of technical problems.

Some comrades argued that we must be attentive to and resolve the following three methodological problems: 1) We must shift from normative to empirical research, ask first of all “what is?” and then abstract from that “is” a model of “what should be,” and preserve the required tension between that “should be” model and dynamically changing reality. 2) Any observation is perceived through the filter of theory. We must consciously abstract from the Chinese people's basic culture an explanatory system. 3) Quantification helps improve the confidence level and explanatory power of theory. But where quantification is impossible, we should make use of the necessary introspective method. Each individual inherits the cultural codes of his people. Examining and discovering one's own personal experience and personality helps one understand the mentalities of traditional political culture and contemporary, real political behavior.

### IV. The Political Mission of Intellectuals

Participants all demonstrated great concern about the problem of intellectuals and explored it from all angles, for example the characteristics and limitations of intellectuals, the predicament and mission of contemporary intellectuals, the categorization and definition of intellectuals, and the like.



Participants all agreed that intellectuals must play the leading role in the creation of new political culture, join the cause of Chinese reform with an independent attitude, and play their proper role as an elite group. Specifically, 1) intellectuals must develop a consciousness of decisiveness and independence. Regrettably, however, many intellectuals (including individuals and groups engaged in the study of political science) try to blur their images as much as possible so as to obtain greater opportunity for advancement. This is a manifestation of the immaturity of the political personality. 2) Intellectuals must foster a consciousness of openness. They generally pursue three career avenues—politics, business and academics, all of which tend to be very self-contained and closed and to develop into subcultures. Whoever manages to put an end to the closed-off nature of these spheres is a social engineer. 3) Intellectuals must develop a consciousness of plurality, which is the antithesis of complete uniformity. Pluralistic politics correspond to pluralistic culture, and intellectuals can display their potential only by differentiating themselves.

#### V. Accomplishments and Problems

In accordance with the principle of academic freedom, the symposium carried on a lively discussion of issues in four areas. Infected by the atmosphere of contending ideas, each participant was afforded an opportunity to sort out his own ideas. The symposium conducted a wide-ranging review of the study of political culture, got a purchase on the state of the craft, and proposed new research approaches. In sum, the symposium achieved outstanding accomplishments in four areas.

1. The symposium approached things from a new angle, and the study of political culture from the perspective of political development and process in fact represents a new breakthrough in the way theory is brought face to face with reality, offering an effective way by which theory can be returned to real life. Practical research rooted in reality offers a corrective measure to the old habit common in academia of making big displays in the ideational realm.

2. The symposium was characterized by multidisciplinary exchange and by a variety of perspectives, each of which stimulated the others intellectually. For example, the same issue might be analyzed from the perspective of history, of

philosophy, of political science, of economics, of sociology, of cultural psychology, and so on. This marks an advance from monolithic philosophical discussion.

3. The discussion raised many issues and cleared up a number of puzzles. For example, common ground ultimately was found on such matters as the benchmarks by which to make evaluative judgments of political cultures, how political culture should be described, analytical method, and the relationships between democracy and freedom and equality-fairness and efficiency.

4. The participants toured Shekou Industrial Zone and had a chance to chat with entrepreneurs in the zone, which gave them first-hand knowledge and understanding of the zone. Some participants became very interested in the possibility of studying the "Shekou model" in its living form. So the tour helped move theoretical workers out of their studies and into reality. In addition, a number of participants offered some constructive criticism regarding political reform in the zone.

Nevertheless, the symposium also revealed some lacunae in the study of political culture, which lacunae exist in the following two areas.

1. Basic theory research was weak, and the basic concepts, research models, and hypotheses employed were either vague, not in common use or very unsystematic. Thus many disputes at the symposium went around in conceptual circles, and the real essence of the issues discussed was not probed, which lacuna adversely affected the quality of the discussion. Second, many of the ideas that were raised were intuitive and lacked substantiation, so one cannot have a high degree of confidence in the conclusions drawn therefrom. In addition, there was insufficient empirical research and use of strict empirical scientific method to process data. Everyone was sort of suspended between basic theory and empirical method.

2. There was an overly strong tendency toward utilitarianism. Methodology was given short shrift, while everyone was eager instead to explain and draw theoretical conclusions from the "hot topics." Because participants lacked effective explanatory systems and methodologies, their conclusions often ended up being vacuous. Research methodology is an indicator of the maturity of a discipline, and the holes in the methodology used to study political culture cannot but give one cause for concern. Confronting squarely the problems we face will help us build a rigorous and firmly grounded approach.

## NATIONAL AFFAIRS, POLICY

### Summary of Mid-Term Economic Reform Schemes

40060271 Beijing GAIGE [REFORM] in Chinese  
No 6, 10 Nov 88 pp 51-57

[Article by Si Lu 2448 6424: "Summary of Mid-Term Economic Reform Schemes"]

[Text] China's economic system reform has already entered a crucial period. How to promote a transition from the old to a new system and expedite the establishment of a new order of socialist commodity economy is the principal task confronting us at present. Formulating a scientific, feasible economy system reform plan is of the utmost importance in accomplishing this task.

Beginning in October 1987, the State Commission for Restructuring the Economic System has entrusted economy-related leading departments at the central level, scientific research organizations, universities and colleges, and some local system reform departments with separately drawing up comprehensive plans and specialized designs for economic system reform for 8 years (1988-1995). In general, these mid-term reform plans have turned out to be more widely representative, more theoretically complete, and more practically operable than past schemes. Comparing the various schemes, there are more and more points in common among the different schemes with respect to the basic thinking on mid-term reform.

The basic train of thought of the reform plans can be described as using "two points and two lines"; namely, assessing the starting point (i.e., the present situation), determining the terminal point (i.e., the objective to be achieved within the period of the plan), selection of the method (i.e., reform strategy), and understanding the main line of reform. A notable characteristic which appears in studying these plans is that, with regard to important aspects such as assessing the present situation, determining objectives, selecting methods, and understanding the guiding ideas of reform, the basic views of each party are extremely similar and have more points in common. At the same time, mutual differences have conspicuously appeared with regard to various perceptions of the main line of reform, while the causes of these differences have become clearer.

Below, we summarize and analyze the similarities and differences between the basic views of each scheme with respect to several important aspects of basic thinking concerning the reform plan.

#### I. Objective: Establish the Dominant Position of the New Economic System

One view in regard to which the various schemes are in relative agreement is that the objective of mid-term reform should be to establish the dominant position of

the new socialist commodity economy system by switching from the old to a new system. The basic framework of this new economic system is "the government regulates the market, and the market guides enterprise." This includes three interconnected elements, namely: conversion of economic operation to market principles, conversion of enterprise form to that of the corporation, and conversion to indirect macrocontrol.

Conversion of economic operation to market principles is the basic trend of economic system reform. Some schemes explicitly point out that modern society is an information-intensive society, and that in order to enable the economy to operate effectively it is necessary to ensure the rapid transmission and processing of a large volume of information. In order to allow the information structure to adapt to the needs of modern production and reduce information costs, we must adopt a decentralized decision-making system under the market system, which has already been proven to be effective in the economic development of various nations. Only in this way can we achieve optimal disposition of resources, bring about the operational sovereignty of each production unit, and increase production efficiency and economic returns. Enterprise reform, price reform, and reform of the macrocontrol system should all develop around the main theme of conversion to a market economy, as well as promote the advance of economic operation toward conversion to market principles.

Conversion of the enterprise form to that of the corporation will remold large and medium-sized state-owned enterprises in competitive industries into limited joint-stock companies or limited liability companies and establish a true enterprise legal entity system. This will on the one hand enable enterprises to practice complete operational autonomy and assume sole responsibility for their profits and losses; at the same time, getting together different investors in the same enterprises will enable factors of production to flow between different enterprises. Finally, this will enable publicly-owned enterprises to become mainstays in the achievement of effective disposition of resources in market operation.

Price reform, through transformation of the price formation mechanism, will finally enable the prices of the overwhelming majority of commodities and services to be determined by the market. Prices determined by the market supply and demand relationship reflect the degree of relative scarcity of various resources, and only this kind of price system can become a signal for guiding effective disposition of resources in market operation.

Switching to indirect macrocontrol will thoroughly transform the old economic control system whereby the government acts directly on enterprises, and it will allow all of the government's economic functions to develop around the market and be realized through the market. That is to say, what the government does will be determined by what cannot be done by the market, and it will be achieved through the market as intermediary.



In concrete terms, exactly what are the objectives for establishing a dominant position for the new economic system? The various views are not entirely identical. Some stress that we should straighten out basic economic relations through joint price, tax, and financial reform and make this the objective of establishing a new economic system. Other schemes point out that the so-called occupation of a dominant position by the new system is centered around establishing a modern enterprise system and consists of laying a basis for a system of reform at three levels, namely, macroeconomic, market, and enterprise, and liberating large and medium-sized state-owned enterprises, which play a decisive role in the national economy, from the bonds of the traditional system. Some schemes have described in greater detail the objectives of gaining a dominant position for the new economic system: (1) the joint-stock company becomes the standard form for large and medium-sized enterprises; (2) formation of a complete market system; (3) entrepreneurs and household farm owners become the nucleus of economic activity; (4) the market sets prices and the state plays the role of indirect regulation and control; (5) small government, large market. Let the market do everything that it can do, while the government does what the market cannot do; (6) two-dimensional economy model: coexistence of several hundred large enterprise groups with several million small enterprises, township enterprises, individual operators, and private enterprises.

How much time is required for establishing the dominant position of the new economic system? There was a considerable difference of opinion on this question among the various schemes. The most optimistic opinion was 4 years: namely, the first go through a 1 year preparatory stage of "starting off on an even keel," then immediately entering the stage of decisive battle, spending 3 years to achieve a basic transformation of the economic system, mainly through two aspects of reform: straightening out economic parameters and establishing an organizational system and organizational setup which meets the needs of China's development of a commodity economy. Most of the opinions favored striving to establish the dominant position of the new economic system within 8 years or slightly more. However, others maintained that the objectives of China's economic system reform could be achieved only gradually, stage-by-stage and step-by-step. This is because China is still in the early period of the initial stage of socialism and our reform objectives can only be stage-by-stage objectives approaching a final objective model. In addition, during the period of the plan, China's actual situation is basically a relatively tight economic climate, and even if people subjectively want to step up the pace of reform, they will be objectively restricted by various actual factors. Therefore, overly high target values cannot be expected of reform during the period of the plan; only moderate targets can be achieved. The basic implication of "moderate targets" is that the basic framework for a new system cannot be actually established during the period of the plan; it is possible only to create basic

conditions for establishing the basic framework of the new system. In concrete terms, enterprises can to a certain extent assume sole responsibility for their profits and losses, form a market system with a certain degree of openness, and establish in embryonic form a system of indirect regulation and control.

## **II. The Starting Point: A Pattern of Stalemate Between the New and Old Systems**

What is the basic pattern of the present economic system? This is the starting point of both the reform of the past 10 years and that of the next 8 years. What the starting point is will determine the method of initiating the next phase of reform. Each of the schemes has given ample attention to understanding and assessing the actual situation. All are more or less in agreement that, over 10 years of reform, the traditional system has suffered a tremendous blow and is no longer a monolithic entity; at the same time, although many elements of the new system have been introduced into economic activity, the new system's elements have not been able to organically combine and bring into play their entire function, and so the dominant position of the new system has not been established. Therefore, the new and old systems are in a peculiar situation of stalemate, confrontation, deadlock, and coexistence.

Reform has on the one hand already introduced many market elements into economic life. For example, in addition to the publicly owned economy, which holds absolute dominance, there is also a large individual economy and a fairly large-scale private economy; even though there is still a considerable amount of command-style allocation and transfer of goods, goods whose flow is determined by market supply and demand are spreading to almost every corner of economic life; in state-owned economic departments and other parts of the economy, a group of entrepreneurs with a sense of competition and a spirit of forging ahead have come to the fore, resolutely smashing the fetters of vertical administrative subordination and displaying their abilities to the full. All of these elements of the new system will contribute to the ferment of future reform.

The pattern of stalemate between the two systems has become a source of many problems currently arising in economic life. With regard to this, some schemes have pointed out that delegating authority for reform has formed a new source of inflation; while there has been no major change in the distorted condition of the price system, its role in guiding economic activity has been strengthened due to the deepening of reform; and while the traditional government control methods have been weakened, no new macroregulation mechanism has been formed. This has resulted in a cycle of mutual cause and effect between the loss of balance of the national economic structure and aggregate inflation. Some schemes go a step further and explicitly point out that it is intensified friction between the new and old systems that has led to many unexpected difficulties. For example,

economic order is in disarray, the rules of market regulation are unsound, the state's macroregulatory capability has fallen, price distortion has led to further worsening of the industrial structure, unfair income distribution has caused a drop in labor enthusiasm, national economic returns hover at a low level, and cases of corruption have appeared in politics and social life. All of these contradictions clearly show that reform is facing a serious challenge.

Based on just this perception and assessment of reality, all have reached a unanimous conclusion: The pattern of stalemate between the new and old systems is a situation in which they cannot remain for long. Quickly emerging from these conditions and establishing the dominant position of the new economic system is both the objective of reform and basic method for resolving actual contradictions in economic operation. However, various problems caused by mutual friction in the double-track system have obstructed the emergence of major reform measures aimed at breaking away from the double-track system. Thus, the actual situation only allows reform to adopt this option: ultimately use the establishment of the dominant position of the new economic system to achieve the objectives of reform and fundamentally resolve the actual contradictions of economic operation; at present, it is first necessary to bring the economic climate under control through various transitional measures, thereby creating conditions favorable for the emergence of major reform measures for switching systems. Based on this understanding, the views of the various schemes with regard to the method of initiating mid-term reform were also in relative agreement. All held that, prior to promoting and realizing the transition from the old to the new system, the following should be done: first, expedite implementation of a number of reform measures which do not in themselves have many prerequisites but are regarded as indispensable for switching economic systems, such as remodeling the enterprise property right system and establishing a social security system; and second, on the premise that the next step of reform will not be hindered, through the combined use of several measures, control aggregate demand, improve supply, adjust the economic structure, and create a relatively lax, comparatively stable economic climate (a truly lax economic climate can only be a result of reform, and cannot be a premise of reform).

### **III. Guiding Idea: Organic Combination of Stability, Development, and Reform**

How to deal with the relationship between economic stability, economic development, and economic system reform is a major problem in mid-term planning. With regard to this problem, the various schemes are virtually unanimous in holding that only by organically combining stability, development, and reform can it be ensured that the task of switching economic systems will be smoothly completed within the period of the plan. This is because, on the one hand, the basic goal of reform is to

achieve sustained, steady, efficient economic development; at the same time, reform cannot make conspicuous progress either in a seriously inflationary climate or under conditions of economic stagnation. Therefore, there must be "two-way coordination" between stability and reform and between development and reform.

Specifically, all probed further into the relationship between stability, development, and reform, primarily from the three aspects of structural adjustment, growth rates, and currency inflation.

**First, economic structural adjustment is an important link connecting development and reform.** Economic development includes the double implication of economic growth and structural change. The goal of reform directed toward conversion to market economy is to achieve rational disposition of resources through a market under effective government intervention, thereby constantly promoting a change of direction of the economic structure toward improvement. Therefore, basically, the problem of structural adjustment in economic development should be resolved by relying on deepening reform and establishing the dominant position of the new economic system. However, viewed from the present perspective, the loss of balance of the economic structure has hindered the further introduction of the market mechanism. All are in virtual agreement concerning the need to take immediate steps to strengthen the weak links in the national economy, such as agriculture, energy sources, raw materials, and communications and transportation, and resolve the national economy's "bottleneck" problem.

**Next, economic growth must be subordinated to the need for reform, and its rate should be neither too low nor too high.** A problem which currently exists is that the excessively high rate of industrial growth has aggravated the disproportions in the national economy and tension in the supply and demand relationship, resulting both in making it hard for reform to make big strides in certain important areas (such as price reform) and in making it hard for economic development to achieve results in important areas such as structural improvement and increasing returns. Therefore, with respect to guiding ideology, it is imperative that we insist on overcoming the tendency to blindly pursue high-speed growth. China's average annual industrial growth rates in recent years have been double-digit, with the exception of the 1986 rate of 8.8 percent; the highest rate was 18 percent (in 1985). Vigorous measures should be adopted during the period of the plan to keep the industrial growth rate under 10 percent.

**Third, the core of a stable economy is stable commodity prices.** In recent years, the day-by-day increase of currency inflation has both directly perplexed the deepening of reform and, at the same time, destroyed the social psychological climate of reform. However, stable commodity prices are not equivalent to frozen commodity

prices. Basically, only through reform involving conversion to market principles, which allows the price system to constantly tend toward rationality, is it possible to really ensure relative stability of the overall commodity price level. In order to allow the deepening of reform, measures should be adopted in three areas in the near future to persist in checking continued currency inflation, keeping the rate of inflation under a certain level. (The opinion was fairly unanimous that, under ordinary conditions, the maximum rate must not reach two digits.) Measures which should be adopted include: strict control of the growth rate of the money supply, adapting it to the actual growth rate of the economy; comprehensively controlling the "overheating" of investment and consumption and shrinking the gap between aggregate demand and aggregate supply; and endeavoring to increase supply capability, improve the industrial structure, and increase economic returns.

In general, with regard to the relationship between development and reform, in addition to "two-way coordination," everyone stressed even more this time that the basic goal of reform was growth; this was perhaps related to the longer time frame of the 8-year plan period.

Some schemes make clear from the very beginning that the task of development faced by China requires stepping up market-oriented reform. This is because the essence of national economic modernization is to constantly expand modern economic departments, allowing a large amount of the surplus labor force lying idle in traditional agriculture to shift to modern non-agricultural industries, finally achieving a "two-dimensional economy" comprising both traditional agricultural economy and modern non-agricultural industries, and a fundamental transformation into a modern economy. A most basic condition is that this process not be interrupted or reversed, and that production efficiency rapidly and constantly increase. Moreover, since a nation like China, whose per capita ownership of resources is extremely low, cannot rely on a large increase in input in seeking economic development, it is becoming extremely important to seek increased production efficiency based on intensive growth. However, every nation's historical experience of economic development proves that the traditional planned economic system cannot ensure efficient growth, while the decentralized decision-making system under the market system has successfully resolved the efficiency problem. This is why we must reform. Reform should serve development. However, reform does not merely serve in accomplishing the development tasks of the same period; the essential implication of reform serving development is achieving a transition from old to new economic systems, establishing a basic framework for a new system which can ensure continued, stable economic development. Afterward, this new system is itself likely to follow a process of unbroken development and perfection.

With regard to the relationship between stability and reform, all of the schemes put more emphasis this time

on the unity of the two. From the standpoint of their goals or results, stability and reform are, of course, in agreement: Stability is beneficial to reform and reform is conducive to stability. The question lies in the methods to be adopted; namely, what methods to use in order to achieve economic stability. In order to enable a number of major reform measures to emerge as soon as possible, the following tentative plan was previously advanced: within a short period of time, not to hesitate to strengthen certain administrative measures in order to bring the environment under control, as a strategy for promoting reform. Although it might be all right to do this, most of these administrative measures have already been weakened by reform, and strengthening them would create conflicts with reform measures. Moreover, it would be very difficult to predict the results. Looking at the schemes submitted by the various parties this time, with respect to the problem of the relationship between stability and reform, all of the schemes explained the importance of stability primarily from the standpoint of deepening reform, while at the same time putting more stress on using the method of deepening reform to seek stability. For example, these themes explicitly pointed out that economic instability was not only unfavorable to economic development, it also made it very hard for major reform measures to emerge, and even led to the reemergence of elements of the old system amid the deadlock between the new and old systems. It is therefore necessary to adopt measures for stabilizing the economy in order to ensure that reform will advance and not deteriorate. Meanwhile, in advancing reform, reform measures must be selected and their order of appearance skillfully arranged, thereby simultaneously promoting economic stability in the course of deepening reform.

#### IV. Strategic Options: Overall Coordination, Cooperative Reform

The increasing similarity of the basic views of the various parties with regard to strategic options for reform is the most conspicuous new trend. Whether with regard to the basic content of mid-term reform or with regard to the arrangement of steps, all stressed the importance of overall coordination and cooperative reform.

Some schemes point out that the basic thinking behind deepening reform is to simultaneously grasp the two main lines, organically combining and coordinating implementation of enterprise-ownership system reform and market-price reform, i.e., what is commonly called "ownership system reform" and "operational mechanism reform." Transformation of the macrocontrol mechanism must be subordinated to the needs of the reform of the two main lines of enterprise and market.

Some schemes further stress that the strengthening of the enterprise mechanism, development of the market system, and transformation of the macrocontrol method condition one another, are closely interconnected, and have become three links which are indispensable to the

deepening of reform. Under these conditions, if these are hastily advanced individually, regardless of whether priority is given to carrying out reform of the enterprise mechanism or whether price reform is regarded as the breakthrough point, it is not only difficult to accelerate the course of economic system reform as a whole, it may also lead to the appearance of certain "vacuums" or "faults," and create new difficulties for reform and development. Only reform which comprehensively considers the three links and achieves overall coordination while laying particular emphasis on certain aspects can bring into play the full effect of reform and really accelerate the pace of reform.

Some schemes run through the three links of enterprise, market, and macroreform, and propose deepening reform through "organizational reform and innovation." In concrete terms, they stress the crucial link of switching economic operational mechanisms, starting by rebuilding microeconomic control organizations, while at the same time promoting the development and strengthening of market organizations. Finally, through the reform and innovation of various types of economic organizations and control organizations, the basic framework of the new system would be constructed.

It is particularly worth noting that a group of scholars who were known in the past for laying more stress on the importance of enterprise reform and price reform, to such an extent that they were grouped together as a faction based on their views on reform, this time attached ample importance to overall coordination among every area of reform in the mid-term reform scheme they were in charge of designing, and carried out meticulous designing for this purpose. For example, certain scholars who had hitherto been known for emphasizing the importance of combined price, tax, financial, and investment reform have this time also attached an enormous amount of importance to enterprise reform in directing the formulation of their scheme. This scheme explicitly calls for giving priority from start to finish to stimulating large and medium-sized state-owned enterprises and, through separately establishing state economic control organizations and public property ownership representative organizations and setting up shareholding system organizations, achieving the separation of three powers, namely, social economic control authority, whole people property ownership rights, and enterprise operational authority, and finally enabling the company system to become the basic form of large and medium-sized state-owned enterprise property organization. To give another example, certain scholars who had hitherto been known for emphasizing the importance of enterprise reform have this time carefully arranged the specific methods and steps of price reform in directing the formulation of their scheme. This scheme holds that basic price stability should be maintained over a wide range during the next 3 years, suited to the implementation of the enterprise contract system, while at the same time implementing individual, partial price adjustment. Within 5 years,

based on the needs of transition from the contract system to the shareholding system, a wide-range, one-time coordinated adjustment of prices, wages, and taxes would be implemented. Within 8 years, there would be basic implementation of commodity price decontrol and market price-fixing, suited to the general implementation of the shareholding system.

Some schemes have further elaborated the method of coordinating reform and hold that reform strategy can only be "unbalanced coordination" and "non-standard coordination." So-called unbalanced coordination refers to the inevitability of imbalance in the process of reform. There is imbalance both among departments and between areas, and the achievement of balanced implementation of reform cannot be insisted upon. However, in unbalanced implementation, too, it is necessary to pay attention to coordinating various relationships, having those who started earlier bring along those who started later and having the more advanced bring along the more backward, and trying to achieve coordination amid imbalance. So-called non-standard coordination refers to the fact that as long as reform measures tally with the objective reality of the plan period, they can be adopted, regardless of whether their form and target model comparison is standard. Moreover, under the present circumstances, there is likely to be a greater need to adopt non-standard reform measures. However, among these non-standard reform measures there should be intrinsic agreement, mutual coordination, and mutual promotion, and every effort should be made to achieve coordination amid non-standardization.

In addition, the problem of regional implementation and coordination of reform also received widespread attention in the various schemes. It was generally agreed that reform could not advance side by side in regions with extremely unbalanced economic development. Regional disparity in reform implementation is inevitable, but at the same time, the utmost effort must be made to uphold the unity of the market; it is especially necessary to prevent the emergence of the so-called "multi-centered nation principle." With respect to specific problems, some schemes stressed that reform of certain major links should be uniformly implemented; examples of this include energy and raw materials price adjustment and reform of the goods and materials system and investment system. Some schemes proceed from the angle of realizing the coastal region economic development strategy, and maintain that the prerequisite for internationalizing the coastal region's economy is to first get in line with the operational mechanism of the international market. Thus, these schemes stressed the urgency and precedence of the coastal region's economic system reform, and maintained that the coastal region and its neighboring regions may advance ahead of the interior in reform in such areas as finance, foreign trade, wages, and agriculture. With regard to how to resolve various kinds of friction caused by differences in reform progress between regions, some schemes went a step further by suggesting "policy graduation." The policy preference



shown to the coastal region over the interior is not the difference between "having" and "not having," but rather the difference between "more" and "less." We should make a corresponding distinction in policy according to each region's degree of development and degree of opening up to the outside world, and form policy graduation.

#### V. Main Line: Enterprise Reform or Price Reform

As stated before, all of the schemes stressed the importance of coordinated reform to the achievement of a transition between economic systems. If it is asked what major distinction exists between these schemes, the major distinction is whether they take enterprise reform or price reform as their main line in implementing coordinated reform. By no means all of the schemes deal with this distinct "main line" question in planning the future 8 years of reform. However, some schemes explicitly call for carrying out reform in a comprehensively coordinated manner, making the establishment of a modern enterprise system the central task and making large and medium-sized state-owned enterprises the focal point, while other schemes more specifically call for making the transition from implementation of the enterprise contract system to implementation of the shareholding system the central threat of reform of the economy as a whole. On the other hand, some schemes clearly call for straightening out basic economic relationships, thereby establishing a competitive market system, the key to which is straightening out prices. Only by timely advancement of a coordinated reform scheme centered around price reform can the basic transition from old to new system be accomplished.

As to exactly what will be taken as the main line in implementing coordinated reform, the differences with regard to actual measures are by no means very great. What is worth noting are the causes behind these differences, i.e., the theoretical and practical foundations of each. Deeper matters can be unearthed from this.

Judging from the various schemes put forth, there are two main causes of differences.

First, differing assessments of the actual situation. Some schemes proceed from analysis of the basic situation formed by reform and hold that due to the widespread implementation of the contract system, publicly-owned enterprises are glowing with vigor and enterprise behavior is tending toward rationality. However, at the same time that enterprise reform has achieved results, the irrational price structure under the traditional system, after several adjustments, still has problems, due to reversal of the price ratio. Therefore, an actual situation has appeared in which, relatively speaking, enterprise reform is in the lead and price reform lags behind. This situation is both disadvantageous to the implementation of economic system reform as a whole and, at the same time, hinders the further deepening of enterprise reform. For example, distortion of the price structure makes it

impossible for enterprises to obtain market conditions of fair competition, with the result that the enterprise's operational results depend, to a very great extent, on factory directors' (and managers') negotiating with higher authorities, bargaining, taking advantage of connections, using "backdoor influence," and so on. Therefore, it is now necessary to raise price reform to a position of greater importance and make it the main line in implementing comprehensive reform. In contrast to this, other schemes proceed from analysis of actual economic conditions and hold that unstable factors which exist in the current economy, such as the high inflation rate, the large fiscal deficit, and the difficulty of overcoming the adverse international balance of payments within a short time, are not primarily due to price distortion; the basic problem still lies in the area of enterprise mechanism and behavior. From the standpoint of a method for resolving the problem, it is necessary to adopt a policy which lays equal stress on both reducing demand and increasing supply; from the mid- to long-term standpoint, increasing supply is more important, and the entire basis of increasing supply lies in enterprise. Therefore, in order to increase supply as well as fundamentally eliminate the causes of unstable factors of the economy, it is necessary to make enterprise reform the main line in implementing coordinated reform.

The second main cause of differences are the differing views concerning the distinguishing characteristics of socialist economic reality. Since the price mechanism can effectively play its role only in a balanced market, views stressing the importance of price reform are inevitably based on the judgement that a balanced market system already exists, or at least can be established through price reform. However, some schemes explicitly point out that what we are confronting is not a balanced market system, and that this is shown by the fact that enterprises cannot yet be called really independent commodity producers (legal entities); price signals are distorted; the market system and market function are both unsound; and social aggregate demand has surpassed aggregate supply, resulting in a shortage of commodities. Under these circumstances, adjusting prices and the overall price level has a negligible effect on restoring economic balance. Only after the status of publicly-owned enterprises as legal entities is really established can price decontrol be achieved, thereby forming a relatively perfect market mechanism. Therefore, when designing schemes for future reform, it is necessary to make enterprise reform the main line in carrying out coordinated reform.

However, this controversy over "main lines" by no means greatly affects the actual content of the various schemes, because there is an understanding stressed in common by all: the success of future reform does not depend on rushing ahead in any one area of reform; rather, the key lies in "coordination." Only coordinated reform can build a basic framework for a new economic system.

## FOREIGN TRADE, INVESTMENT

### Contracted Responsibility System in Foreign Trade Discussed

40060234 Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 12, 30 Dec 89 pp 22-25, 6

[Article by Xu Yu 6079 3558 and Zhu Mingxia 2612 2494 0204: "Separation of Ownership From Operations and Foreign Trade Contracted Responsibility System"]

[Text] The 13th CPC Central Committee has pointed out: "Invigorate enterprises owned by all the people in accordance with the principle of separating ownership rights from management rights." To invigorate foreign trade enterprises why must we also start with the separation of ownership from operations? What is the connection between the foreign trade contracted responsibility system and the separation of ownership from operations? Below we have made an attempt at exploring these questions.

#### 1. The Separation of Ownership From Operations Is the Only Way To Invigorate Enterprise Owned by the Whole People

Traditional concept says that ownership rights and management rights cannot be separated. That whoever owns the means of production is also the one who controls, utilizes, and manages. China's enterprises that are owned by the whole people are owned by the nation, or the state, so it should be the state that controls and delegates from all the people state organizations that conduct the management and administration. Just as the CPC Central Committee's "Resolution Concerning Reform of the Economic System" (abbreviated below as "Resolution") points out, this type of enterprise with ownership by the people and with direct management by the state organizations will cause a confused point of view and in the long term cause the state to become too involved and too rigid with enterprise, and become an important factor in inhibiting the free play of enterprise vitality. The "Resolution" points out "according to Marxist theory and socialist practice, ownership rights and management rights can be separated." The Marx and Engels co-authored document "Feuerbach" points out: "Past revolutions were limited by the situation; independent activities of individuals was limited by the fetters on the means of production and associations, all that they possessed was this type of limited means of production... The means of production became their property but in the end they submitted to division of labor and individually possessed means of production. Under possession of the proletariat, much of the means of production should be controlled by everyone and property will also fall under the control of all the people.<sup>1</sup> Actually, in the social development of mankind there is no lack of precedents for the separation of ownership and management rights. For example, in feudal society the landlords owned the land and peasants rented the land from the landlords, as long as they paid the rent to the landlord

everything was fine. The peasants were free to decide as to what was planted and how it was planted on the land. Also in a capitalist society there are many areas where these two rights are separated, such as some people being the stockholders and having other people acting as the managers. Under the conditions of socialism, why can't "much of the means of production" be controlled by the masses of people? Why can't we carry out a separation of these two rights?

The social practice of mankind tells us that up to now there has only been two types of enterprise management mechanisms: One type is the joint management mechanism of owners and managers, the other is the separated management mechanism of owners and managers. Comparing these two types of management mechanisms, the former is exposed to fairly obvious drawbacks. First, is that it doesn't make a distinction between government and enterprise. This is because when ownership and management rights are combined they become confused with each other. Politics takes the place of enterprise causing enterprise to become an administrative appendage and thereby binding the enterprise's hands and feet in flexible management. Secondly, it manifests mediocrity in distribution. Because these powers are combined the state conducts management of enterprises through directed plans, then the enterprises based on these directed plans receive their capital, arrange production, and conduct distribution. This kind of management mechanism with these two powers combined usually occurs in every socialist state. In these countries the state acts as the ownership representative for all the people and directly manages enterprises owned by the whole people. For example, prior to 1978 enterprises owned by the whole people in China were directly managed by state organizations. The two major drawbacks noted above are fully exposed during the actual practice of building up a country. Along with the development of the socialist planned commodity economy, enterprises need to be liberated from various administrative ties so they can become an economic entity that can be competitive, establish contacts, utilize economic means in conducting business, and arrange production management activities on their own. For this reason the contradictions in the objective needs of management mechanisms that have these two rights combined and the commodity economy development become more acute each day. How do we invigorate enterprise? The way to do this is by separating ownership from operations.

The 13th CPC Central Committee report put forward the separation of ownership from operations as the principle for invigorating enterprise. The first meeting of the 7th National People's Congress [NPC] held on 13 April 1988 passed the Law of Industrial Enterprise Ownership by the Whole People that went further to explain: "Enterprise property belongs to all the people, the state is to confer management and supervision to enterprise in accordance with the principle of separating ownership rights from management rights. Enterprise has the power of possession, usage, and lawful disciplinary action for the property the state conferred to them. The soul of the Enterprise Law



is the separation of ownership and management. This is to say, first, ownership rights don't change, the ownership of enterprise owned by all the people still belongs to the masses but management rights must be put in the hand of the managers. Secondly, management given to enterprise should be in the broad sense, that is the rights to possession, use, and administrative discipline of the enterprise capital. How the enterprise manages, develops, and how capital is legally transferred, including mutual shares, investments, associations, and the transfer of possession can and should be legally decided by the enterprise. In recent years, according to the principle of separating ownership and management, the state has already gradually handed over management to enterprise. At present the number of commodity products that the state controls with industrial production directed plans has been reduced to 60. The distribution of goods and materials controlled by the state has been reduced from 256 in 1978 to only 20. Income and other types of taxes have basically replaced the turning in of profits. The result of this has been the profit percentage retained by enterprise raising from 3.7 percent in 1978 to 42.4 percent in 1986. Enterprise has the ability for self-reform, self-accumulation, and self-development to invigorate the enterprise creative material base. Therefore, separation of ownership from operations is the way to invigorate enterprise.

## **2. The Necessity for Separating Ownership and Operations in Foreign Trade**

Foreign trade enterprises and other enterprises owned by the whole people are the same in that they are the property of the masses. Organizations representing the state have concentrated management of foreign trade enterprises, and also have combined management of import-export companies under the Ministry of Foreign Economic Relations and Trade [MOFERT]. The style of management used is based on the requirements of the state's directed plans in conducting the purchasing system for export commodities and the selection system of import commodities. This was China's basic situation in administrative methods of supervision and management of enterprises engaged in foreign trade prior to the 3d plenum of the 11th CPC Central Committee. The old system of management caused foreign trade enterprise to be unable to conduct management according to the needs of the enterprise. The drawback of no distinction being made in the direct responsibility of government and enterprise, macrocontrol stressing direct control, having no effective foreign trade regulation system, the lacking of effective measures for microscopic invigoration, and not having a united responsibility system, all combined to seriously damage the development of foreign trade and any increases in economic benefit. The crux of the problem lies in the concentration of ownership and management in one organization so that politics and enterprise can't be separated and have no way to overcome the mediocre system of "eating from the big pot." In recent years some reform has been carried out on the foreign trade system by means of passing down and dispersing management power, and relaxing directed plans in an attempt to find a path that would invigorate

enterprise and raise economic benefits. But due to various reasons these goals have not been achieved. This clearly shows that by not separating powers and adopting methods to patch up the problems can not fundamentally solve the problem of strengthening enterprise vitality. Only by separating ownership from operations and letting enterprise become a corporate economic entity that is truly independent, possess management authority, and assumes sole responsibility for its profits or losses can it possess a true management mechanism. Also only in this way can there be an orderly relationship between state and enterprise and based on the position and function of both state and enterprise delineate the limits of authority for each. According to the stipulations in the Enterprise Law, the government or the governmental departments responsible should adhere to the stipulations of the directed plans issued by the State Council concerning enterprise; ensure that enterprises complete the supply of goods and materials in the directed plan; examine and approve plans for capital construction and major technology reform proposed by enterprises; appoint, remove, reward, and punish factory directors; based on recommendations of factory directors, appoint, remove, award, and punish leading cadre filling deputy factory administrative positions; and provide examination and training for leading cadre in factory administration. Based on the goal of having "the state regulate the market, and the market guide enterprise," concerned departments of the government in order to provide service to enterprise and based on the responsibilities of each carry out management and supervision of enterprise according to laws and regulations. Under the planned direction of the state, enterprise has the authority to arrange production; market its own products; and except for state council stipulations and controls of the General Administration for Inspection of Import and Export Commodities, has the authority to set commodity prices and labor and service fees; conduct negotiations with foreign traders and to sign contracts; collect and use their share of income generated from foreign exchange; allocate and use retained funds; employ and dismiss workers and staff and decide the organizational structure and personnel strength. The relationship between the state and enterprise has already been set by the Enterprise Law. Foreign trade enterprises will also abide by the related stipulations of the Enterprise Law, carry out separation of ownership from operations, and make it clear that foreign trade enterprises will act as relatively independent commodity producers and managers that have the responsibility, jurisdiction, and benefits.

## **3. The Foreign Trade Contracted Management Responsibility System Is an Effective Way To Separate Ownership From Operations**

The concrete form of separating ownership from operations can be based on the differences in the enterprise qualities, scope of the enterprise, and technical characteristics. At present this is being done mainly in the contract system. In the first meeting of the 7th NPC government work report, comrade Li Peng pointed out: "The key to the

present reform is based on the principle of separating ownership and management and carrying out various forms of contracted management responsibility system.

Generally speaking the contracted management responsibility system is the taking of state plans as a guide, having raising economic benefit as its goal, and the carrying out of management and supervision system that has combined responsibility, authority, and benefits. The separation of ownership from operations will let enterprise have the authority while the responsibility system will have the enterprise be ultimately responsible, which will unite the enterprise's authority and obligations. After enterprise possesses management authority, only then under the premise of discharging its responsibility, can it obtain legal benefits. The first effect of this contract management system will be to use economic contracts to have the state act as the owner representing the means of production and enterprise act as the manager of the means of production change from the original jointly dependent system of government and enterprise, to a separation of these two so there is an economic system where both have their individual economic benefits.

Whether or not enterprise has management authority will, in the end, determine if there will be an orderly relationship between enterprise owners and managers in the distribution of benefits. The contract management responsibility system can appropriately handle the relationship between ownership and operations. Based on the contracted responsibility system's general principle of "strictly guarantee the base figure, with increased retention of above-quota profit, the greater the income the more that can be retained, and using income to replenish," the profit base to be turned over should be according to that years base or the average for the next 2 or 3 years contracted profit base and in conducting large and progressive assignment increases. In this way a steady increase in state revenue can be assured; while since the profit base to be turned over is set, enterprises that receive more income will have the authority to allocate the funds itself. This is a means for enterprises to carry out development of self-accumulation and self-development. Under normal conditions surplus income from contracts shows an increase in the labor to production ratio, an enlargement in the scope of production, and an increase in economic effectiveness.

By 1987, 80 percent of enterprises owned by the whole people nationwide were carrying out a contracted management responsibility system. MOFERT also in 1987 conducted a contracted responsibility system for various corporations specializing in foreign trade. Specific methods were: MOFERT gave the entire contracting of financial return and cost quotas for exports to corporations specializing in foreign trade, these corporations then contracted these quotas out to companies in provinces, municipalities, and autonomous regions, in turn the companies pass these down to administrative and technical offices, teams, groups, and individuals in order to unite responsibility, authority, and benefits. Further rewards were also given to

units that met or exceeded export plans while not exceeding appraised costs. In 1988 the State Council decided to carry out an overall contracted management responsibility system based on the previous years system. In carrying out the stipulations of overall foreign trade contracted management responsibility system, provinces, autonomous regions, municipalities under the control of the government, independently planned municipalities, and state foreign trade companies that directly assume export tasks, individually contracted the 3 quotas of export exchange, the turning over of foreign returns, and profits and losses that are fixed for 3 years. Foreign exchange indexes are divided up based on current regulations of exceeding the export exchange base and carrying out of preferential division.

After the new contract management responsibility system documents were issued, each area set about formulating contract plans with special characteristics for their areas. Such as Guangdong carrying out its plan of "regional contracting, local trade organizations handing out contracts to enterprises, local authorities guaranteeing" is orderly and prompt; Fujian carrying out its "two tier contract, contracting to enterprises, and local authorities guaranteeing" plan. The contracting of major export tasks is conducted from the state by provinces which then disperse these contracts to provincial companies specializing in foreign trade, industrial trade company, and 9 localities (municipalities). Shanghai conducts its "two guarantees and one link" in which the city issues foreign trade contract quotas and administrative contract plans together, while also linking together the distribution of benefits for foreign trade managed enterprises and production enterprises. Jiangsu conducts a "vertical and piece by piece dual track" contract plan. Beijing municipality has decided to have dual contracts for export production and foreign trade managed enterprises. The export producing enterprise contracts for export production and foreign trade managed enterprises. The export producing enterprise contracts for a quota of export goods and based on these quotas signs supply contracts with foreign trade companies. The foreign trade managed enterprise contracts the following 4 quotas of the export plan, export foreign exchange base, the foreign exchange base to be turned over to the Central Committee, and profit and loss totals that will remain unchanged for 3 years. Hebei Province has the provincial foreign economic relations and trade department and municipal governments with import and export management authority contract 3 quotas from the provincial government. Areas and municipalities that don't have management authority for imports and exports use the method of having the administrative offices and municipal government contract export commodities from the provincial government. Shanxi uses the following program: The provincial government links up its quotas contracted from the state with its finances and has its finance department and foreign economic relations and trade department issue contracts to foreign trade company, it also passes yearly quotas to area, city, and county foreign trade enterprises through the various area and municipal foreign economic relations and trade offices.

Guangxi has adopted the new measures of "joint management and shared contracts" having autonomous regions import/export branch companies lead the way, based on this company system, the region and municipal foreign trade units conduct joint management, port branch companies conduct joint management with regional branch companies and having port companies jointly manage exports with regions, municipalities, and counties, while each county foreign trade company conducts joint management with foreign trade companies of regions and municipalities. This clearly shows that enthusiasm in all areas has picked up and by using various contracting means the areas are fully utilizing their management authority.

#### **4. Carrying Out Contracted Responsibility System in Foreign Trade Is Beneficial Towards Separating Government and Enterprise and in Causing a Change in the Supervisory Functions and Management Mechanisms**

Under contract conditions with management authority given to enterprise, the original administrative organizations will have more energy for conducting research, formulating and organizing China's strategy, principles, policies, laws, and regulations in macromanagement of foreign trade. These organizations will be able to utilize better economic adjustment measures and coordinate mechanisms to carry out indirect supervision. All units that conduct contracting are to carry out separation of government and enterprise. Take Fujian Province as an example, the existing foreign trade corporation administrative and management authority is being handed over to the new foreign economic relations and trade management organizations; special branch companies and provincial foreign trade corporation will cast off snags and conduct enterprising management. The Shanxi provincial foreign economic relations and trade department acts as the provincial government's functional department in foreign economic relations and trade work and conducts supervision of remittances to the state for economic and trade enterprises throughout the province. After separation of government and enterprise, all foreign trade enterprises, except for those contracting for the state can practice comprehensive management contracting. That is to say, these enterprises can combine export management and international management. This is a trial method for corporations specializing in foreign trade. The first company approved to practice comprehensive management contracting on a trial basis is the China National Chemical Import and Export Corporation. This corporation stresses trade while developing production, banking, storage and transport, and services. The China Cereals, Oils, and Fats Corporation is also actively setting up an overseas enterprise that utilizes a comprehensive, group, and multiple function style to forge a solid foundation. There are other companies also developing in the direction of international and comprehensive function management.

#### **5. The Situation of Things Following Contracting**

The contract management responsibility system is an effective way to realize the separation of ownership from operations. This enables enterprises to be liberated from

the trammels of administration, thereby arousing enterprise initiative and raising economic benefits. This has already been proven in practice. For example, the China National Metals and Minerals Import and Export Corporation, that began conducting the responsibility system in March, had by the end of June completed 75.83 percent of their state plan for exports, greatly increased the monthly average of exports, and also reduced the cost averages while speeding up the transfer of funds. After Tianjin began contracting, the enthusiasm of workers and staff was aroused. A return of 750 million dollars, which greatly exceeded the average rate of exports planned for the entire year, was realized. By the end of June 1988, Fujian had exported 724 million dollars of product, a total that completed 95.88 percent of its plan for the year. By 5 September the city of Chongqing had already completed its export exchange plan for the whole year. Beijing completed 91 percent of its yearly export plan in 8 months. Foreign trade departments of other provinces and municipalities have reported an expansion in foreign trade and good news in completing their export plans. At the same time this has been occurring, a few problems have emerged. For example, some areas have not consolidated responsibility, authority, and benefits for relaxed management and self-responsibility for profits and losses; some contract bases are not reasonable; the assignment of contracting tasks and transfer of management authority have not been synchronized or completed; due to price fluctuations and other factors, problems in producing exchange and benefits have occurred; and local blockades have appeared to ensure a supply of goods. These problems have not been brought on by the separation of the two powers, yet it is clear that the use of specific methods must be further improved and perfected. Just as the CPC Central Committee report pointed out: "The carrying out of present economic responsibility forms such as contracting and leasing are beneficial for exploring the separation of ownership from operations, and should be continually improved and perfected in actual practice."

#### **Footnote**

1. "Selected Works of Marx and Engels" pp 74-75, part one, published by the Peoples Publishing Agency in 1972.

### **AGRICULTURE**

#### **Shanxi Wheat Yield**

40060383a Taiyuan SHANXI NONGMIN in Chinese  
7 Feb 89 p 2

[Summary] At present, the per unit area yield of wheat in Shanxi Province is 100 to 150 kilograms on nonirrigated land and 200 to 250 kilograms on irrigated land. Every year Shanxi imports over 50 million kilograms of wheat.

#### **Sichuan Fertilizer Output**

40060383b Chengdu SICHUAN RIBAO in Chinese  
10 Feb 89 p 1

[Summary] In 1988 Sichuan Province produced 7,803,600 tons of chemical fertilizer, accounting for 112.9 percent of the annual plan. Sichuan also produced 5,312 tons of pesticides, an increase of 26.3 percent over 1987.

**Speech on Democracy by Poet Shao Yanxiang**  
40050172 Hong Kong CHING PAO [THE MIRROR]  
in Chinese No 137, Dec 88 pp 50-52

[Article by Shao Yaoxiang 6730 3601 4382: "Without Full Democracy There Is No True Unity—Speech at the Fourth Session of the Fourth Council of the China Writers Association"]

[Text] The speech by Shao Yanxiang, chairman of the presidium of the China Writers Association and renowned poet, at the end of last year to the Third Session of the Fourth Council of the Writers Association reverberated like thunder in China and abroad. On 19 November of this year, Shao delivered his annual speech, this time to the Fourth Session, and it was given a tremendous welcome. Mr Shao's brilliant speech may be said to be a wise, intuitively knowledgeable evaluation of the Chinese writers of "security" and of the fifth "meeting on the cultural revolution generation." The question of democracy that he raised is precisely the difficult problem that urgently awaits solution in the reform in today's China.

My speech today is on unity.

**Without Full Democracy There Is No True Unity**

The unity of literary and art circles that I am speaking about is that unity from Yanan to Beijing, from before the cultural revolution to after it, and from the fourth meeting on the cultural revolution generation to the fifth meeting on it. It seems to be a "longstanding, big, and difficult" problem that although old is filled with new content.

We have repeatedly stated the formula "unity-criticism-unity," that is, "proceeding from united aspirations, passing through criticism or struggle, and reaching a new unity on a new foundation." To spread this formula from within the party to all the people, and to expand our goal from seeking ideological unity within the party to seeking uniformity of public opinion, means taking ourselves as the dominant factor and thinking of ourselves as the only ones who are right, and "criticizing" or knocking down by struggle ideological opinions on public affairs that are not to our liking, so that we have a foundation for unity. In united front work, we once applied the following slogan to the literary and art circles: "If unity is sought through struggle then unity will exist, but if unity is sought through compromise then unity will perish." This means that, at a certain period and under certain circumstances, we have a relationship of both unity and struggle with an ally. No matter in what sense the formula for unity and for seeking unity is taken, in this case it bears the brand of the era in which class struggle and line struggle were taken as the key link.

Today I believe that without full democracy there is no true unity. What we should say is "if unity is sought through democracy then unity will exist." For the literary and art circles of China, what is of paramount

importance is the unity between the party and the literary and art workers. This is the foundation and guarantee for the unity of all members of the literary and art circles. To say that this means the relationship between literary and art workers who are party members and literary and art workers who are not party members, is not as good as saying that it points with emphasis to the relationship between the party's leadership organizations and leaders on the one hand and the great majority of literary and art workers inside and outside the party on the other. In this relationship, the leaders of the party in power naturally occupy the dominant position and play the leading role with regard to unity.

We have a history of a long period of revolutionary wars and class struggle, and we are used to the traditional ways of mobilizing the masses to take part in movements. From the beginning of the literary and art movement in the thirties to the period after the founding of the PRC, the same leadership method for the literary and art movement was followed. The creations of literature and art, and their dissemination, development, and later development, have their own laws of movement. Our literary and art movements on the one hand mobilized the literary and art workers to throw themselves into political movements, and on the other hand organized within the literary and art circles class struggles and line struggles of a mass nature. In addition, there was the influence of the Stalin-(?Rhodanov) style, which developed in a straight line into the "great cultural revolution." All of the literary and art circles and practically the whole army were mobilized by it. There followed a crushing defeat, and in the end there was neither culture nor literature and art.

When actions are taken in the name of class struggle and line struggle, it is always difficult to avoid arousing a part of the intellectuals to struggle against another part of the intellectuals, to avoid arousing a part of the writers and artists to struggle against another part of the writers and artists. When you fight me and I fight you, you must die so that I can live. It is difficult, of course, to avoid differences in ideological viewpoints. However, once support in power or influence or in force causes a contradiction to intensify and become a confrontation, the unity of literary and art circles is already ruined. When two forces are in unequal positions, how can the one doing the cudgeling and the one being cudgelled unite? Power struggle in all sorts of situations, down to unprincipled personal disputes, further split the ranks and caused estrangements. In the early part of the new period, we had originally hoped that this kind of history had gone forever, allowing the literary and art circles to make a new beginning and form a situation of great unity. However, because of the old literary and art system, leadership methods, and other external reasons that are not changed by people's will, over the past 10 years we have experienced ups and downs. For controversial works and theoretical demonstrations, there have been incessant oversimplified criticisms and rulings that followed the same old routing, and they have delayed to



a great degree the building of cultural environment. Several times when a democratic, harmonious atmosphere had just been formed in the literary and art circles, it was polluted and poisoned. Therefore, the reason that a truly great unity cannot be attained in the literary and art circles is, of course, the constraints on the ordinary literary and art workers imposed by history and material gain, and the fact that they cannot transcend the point of their own enlightenment. But the fundamental reason is that they have not devoted themselves to the creation of a true, stable environment of literary and art democracy and of academic democracy.

In a certain sense democracy is a mechanism that makes adjustments and balances between different interests and different ideological viewpoints and that brings order out of chaos. Democracy can have the effect of stabilizing society and making it cohesive. If we have fairly full democracy, naturally we can have the corresponding harmony. Thus, if the freedom of creation is displayed fairly freely, and if healthy theoretical criticism is initiated fairly fully, then true unity will be in sight. With the common goal of serving the people and building a new national culture, the seeking of a unity that is largely identical but with minor differences will be helpful in forming an overall situation in which there is movement toward the center and unity.

#### **Policies Have a Bearing on the Ruling Party's Prestige and Life**

The flourishing of literature and art requires an environment and atmosphere of democracy and harmony. The creation of this condition cannot depend on the building of a sound, perfected legal system; the flourishing can only be accomplished under conditions in which a policy is stable or unstable. It is unnecessary to prove this point. As for whether there can be a stable, unchanging policy, and whether this kind of policy can be conscientiously implemented in a stable, unvacillating manner, avoiding either just stopping at words or having different interpretations and even making unpredictable changes in the policy. If politics crops up in many places, then everything will be decided by the party's leaders. I fully agree with the earnest warning given by an old nonparty writer: the party must be circumspect. What he said was to the point. The ruling party of a great nation with a population of 1 billion not only must handle with circumspection economic and political questions, but also needs to handle with circumspection questions concerning culture and questions concerning intellectuals, including questions concerning literature and art. Culture is not equivalent to politics, but if culture is not handled carefully there will be unexpected political consequences. If a correct policy cannot be carried out and if earnest promises on which daily prestige rests cannot be kept, then the prestige is bound to be devalued. For a political organization or a statesman, the devaluation of political prestige is more serious than the devaluation of the renminbi. The party now has the problem of salvaging its prestige, that is, of establishing its creditability

among the people. This not only means establishing its creditability among the peasants and workers; it also means establishing its creditability among the intellectuals and the literary and art circles. If we were to say that this is the party's last opportunity, would this be a case of exaggerating things in order to scare people? I really think that the opportunity has already been missed and that it will not come again. For this reason I am deeply dejected. "Those who know me say I am melancholy; those who don't know me wonder what I am seeking. Under remote heaven, who is like this!"

Mao Zedong once said, "Those who suppress student movements will certainly come to no good end." He said this from his lifetime experience in leading political movements. But he did not say, "Those who suppress and crack down on intellectuals will certainly come to no good end." This fact shows the limitations of his understanding and his practice. For a fairly long period of time, intellectuals have been mistakenly handled and literature and art have been mistakenly handled, causing an enormous "geological fault" to appear in science and culture. There also appeared in literature and art the awkward situation, which he reversed in his later years, of "no fiction and no poetry." There is no need to say more on this subject.

However, the consequences of the old historical period should be faced squarely and cured. One of these is manifested in some intellectuals, and it may be understood as "having a lingering fear"; it is manifested in another part of the members of society as their being afraid and wary of intellectuals, or, to put it another way, a psychology of fearing intellectuals, even sometimes reaching the point that in intellectuals they face formidable enemies. If this psychology goes so far as to engender itself in self-styled Marxists, then Karl Marx himself would truly want to deny that he was this kind of "Marxist." Looking at the general knowledge of Marxism, we see that it fears democracy and fears the masses, including the intellectuals. I'm afraid that one can only say that this is a degeneracy in politics and in morality and justice!

In the speech I made last year, I appealed to the party's leaders to make every effort to be adept at correctly handling the contradictions and the struggles within the party, so as to limit their negative aspects to the smallest range and never again make the theoretical and cultural workers pay an exorbitant price. I now want to add to what I said then. With regard to economic difficulties we must never again "pay a penance" in culture. To speak precisely, when there is reform and opening up to the outside world, particularly when a certain kind of economic crisis occurs, the theoretical and cultural workers naturally strive to cooperate and get out of their plight. However, no matter what, there is no reason to make them bear a sacrifice that they should not bear. Even less should cultural undertakings, which as such have been discriminated against, be reduced to the level of a scapegoat.

This is "ugly talk" unfit to be heard. But can we, in whatever place we sit, again naively be addicted to cheaply acclaiming a "springtime of literature and art" and a "golden age of literature and art"? The long distance stretching ahead of us requires a tenacious journey. Only by keeping a cool head can we remain staunch.

#### **Problems Concerning the Relationship Between the Party and Government on the One Hand and Literature and Art on the Other**

The editorial of RENMIN RIBAO congratulating the Fifth National Congress on Literature and Art said that the leaders of the party and government discussed individual views about literary and artistic creations and about specific work, and only as the opinions of ordinary readers and not as decisions of the party and government. Roughly similar in meaning was the formulation in "Some Opinions of the CPC Central Committee on Causing Literature and Art To Flourish Even Better (Draft of Solicitations of Opinions)": "As readers and audiences, the leaders may give their opinions on literary and artistic works, but only if they do not make them the formal opinion of the party organizations and the government. The writers and artists and the literature and art departments do not have to regard these opinions as orders to be thoroughly executed."

I believe that this is "an important experience gained from our summation of the lessons of history." This is because "trying to get help from the party's organizations or leaders, in the form of a statement or article, to promote the sales of a book, play, or painting has always been unsuccessful." But getting help from the party's organizations and leaders, in the form of a statement or article, to ban a book, play, painting, or other works of literature and art has at times often been "successful."

It is sensible to make a distinction between a leader's individual opinion and a formal decision of a party organization or the government.

Speaking in this manner, a formal decision made by a party organization or the government on a work of literature or art should "be regarded as an order to be thoroughly executed." Then, with regard to exactly what level of party organization or government under what circumstances is required to give a formal opinion on what kind of work of literature and art, could this "formal opinion" also become "an order that must be thoroughly executed" by writers and artists and by literature and art departments? On this question no specific demarcation line has been stipulated. The result of the execution of this kind of order not only could cause the leadership departments of the party and government to take the same disastrous road of controlling literary and artistic undertakings too much and too specifically, and of replacing political leadership with administrative intervention; but also could lead to the consequence of short-term policies or individual opinions in disguised form replacing laws, overriding the legal system, and interfering with the legal system.

During the Stalinist period, the Communist Party of the Soviet Union once made a series of formal decisions on writers and artists and on works of literature and art. China also did this. Can there have been fewer formal decisions of this kind in the past? Not only was the unjust case of the novel "Liu Zhidan" trumped up, but also grounds of argument were provided for the subsequent literary inquisition. Haven't the individual views of leaders, and the documents and the newspapers and periodicals seen by all, also taken on the form of formal decisions made by the party and government? Aren't the lessons of these formal decisions worth summing up? In handling historical issues, I think it is proper to go into personal grievances in a sketchy, not a detailed, way and to sum up experiences in a detailed, not a sketchy, way. Such a practice will be advantageous for seeing ahead and forging ahead.

Speaking of "River Elegy," which has become a popular topic of conversation, it is a good thing that it is the subject of controversy, because a creed in our classics is that "the more truth is debated the clearer it becomes." We should act with impartiality toward one who holds a different view, either in whole or in part, no matter whether he is a Chinese with foreign nationality or a compatriot in our native country, a prominent figure or a spectator, and even a professional or a nonprofessional. I may not agree with your opinion, but I respect your right to speak. However, among those who enjoy the right to speak there are individuals who just "hurl insults and threats" with the aim of depriving others of their right to speak. The right of such individuals is not worthy of respect, and even less is it worthy of initiating and adding fuel to the flames. This is because a person who can only curse and threaten just shows that he lacks faith in his reasoning, or indirectly that what he says is unreasonable. If we take the long-term, historical view, this phenomenon, which is seemingly difficult to avoid, would be lamentable and even ludicrous. But if we look at its temporary consequences, it has an effect on the cultural environment and atmosphere that we hope to build, and so we should first of all ask the leadership departments to give it their consideration. If these individuals were to possess the means of disseminating their views to the broad masses, then the masses would be affected by the unhealthy influence of certain opinions with a very low cultural content. That would be more lamentable than ludicrous. The retaliation that this practice is subject to is not in the future but is under foot.

Speaking from the angle of establishing the continuity and stability of the party's policies, and speaking from the need to enhance and improve the image of the party's leadership, in every specific policy decision and measure, particularly on major questions of civil rights that the literary and art workers and even the broad masses of people pay attention to and relate to, namely, freedom of creation, freedom of discussion, and freedom of speech, we are faced with choices and tests.

The people are concerned with the state's future and the nation's destiny, and they have the right to participate actively in them. Literary and art workers should "deeply feel and know the people's worries and blessings and authentically reflect these worries and blessings." (Xia Yan [1115 5889]) They even more have the right and duty to speak out and to act as the people's spokesmen; of course, this is not their only right and duty.



**Secret Document Regulating Unofficial  
PRC-Taiwan Contacts**

40050208 Hong Kong KUANG CHIAO CHING [WIDE  
ANGLE] in Chinese No 195, 16 Dec 88 p 75

[Text] In its 4 December 1988 issue the Taiwan UNITED DAILY NEWS published a front page report containing the contents of a secret mainland document pertaining to contacts with Taiwan Chinese. The full report as printed in the UNITED DAILY NEWS appears below.

According to secret internal documents gathered on the mainland by the Kuomintang, the Chinese communists have prepared a list of proper measures to be taken to deal with Taiwan's opening up its unofficial contacts with the mainland. The basic policy is to separate human relationships and politics and to be peaceful and kind in regard to human relations but to be on the offensive in regard to politics. For example, in unofficial exchanges between the mainland and Taiwan including when mainlanders come to Taiwan for conferences or competitions the communists clearly stipulate that neither the flag of the "Republic of China," nor signs or writings with the characters "Republic of China" shall appear anywhere at the meeting place or on pertinent documents and the national anthem of the "Republic of China" shall not be played. Otherwise, no mainlanders will participate.

"Considerations on Taiwan Work" published by and gleaned from the Taiwan Work Office of the Communist Shenzhen Municipal Party Committee contains within it such items as "Taiwan Policy," "Key Points on Propaganda for Taiwan," "Treatment of Taiwan Compatriots Who Come To Visit Relatives or Travel" and "How To Handle Taiwan Invitations to Visit." Yesterday this paper published a summary of the document and today has obtained the full document and publishes below that portion entitled "How to Handle Taiwan Invitations To Visit."

"The following guidelines can be used to handle Taiwan invitations to visit:

"(1) Where we belong to the same international organization of an unofficial nature as do our Taiwan counterparts, then we should strenuously object to holding the meeting in Taiwan. Where there is no way around holding the meeting in Taiwan and a delegation or representative of ours is invited, then in principle that delegation or representative may attend. However, the following conditions should be put forth: 1. As Taiwan is a part of China, a person from the mainland needs no visa to go there. 2. The organizers of the meeting must receive a guarantee from the Taiwan authorities regarding the safety of our delegation and its freedom to come and go. 3. Nowhere in the meeting site shall the flag of the 'Republic of China' or signs of the 'Republic of China' appear nor shall the 'National Anthem of the

Republic of China' be heard. Documents and informative materials from the meeting may not contain the characters 'Republic of China.'

"(2) When unofficial Taiwan organizations (including cultural, scientific, and educational groups) or individuals invite mainland government functionaries or well-known persons (like committee members of the Chinese People's Political Consultative Conference or leaders from the Kuomintang Party) or scholars or exchange students abroad to go to Taiwan to sight-see and visit or participate in activities conducted by the Taiwan party, generally the individual may accept the invitation in his or her own name (those who are privy to important classified information should submit a special request for instructions) but we demand that the host party issue a formal invitation, our people visit Taiwan in an open manner, the inviting party must help our party with all procedures pertaining to entry (we will not carry Taiwan passports), and the safety of our people and their freedom to come and go must be guaranteed. If the other party cannot completely satisfy these conditions, we can indicate that we are sorry we are not able to attend.

"(3). Generally it is permitted for people from the mainland to go to Taiwan as well as for family members and close friends of Taiwan compatriots to accept their invitations to visit Taiwan for family get-togethers or visiting with friends. In these instances the mainland party should demand that the party on Taiwan assist in resolving all Taiwan entry procedures (our people shall not carry Taiwan passports) and that their safety be guaranteed.

"(4). All invitations from spy organs or anti-communist groups such as the 'Intelligence Bureau,' the 'Investigative Bureau,' the 'Freedom Foundation,' the 'Relief Association for Stricken Mainland Compatriots,' the 'Alliance for Unification of China Through the Three Principles of the People' and the 'Anti-Communist Nation Saving Youth League' should be turned down and when necessary they may be exposed.

"(5). Henceforth all who come across instances of Taiwan Chinese inviting mainland Chinese to go to Taiwan to visit or see relatives or who come across any sort of novel situation or issue are requested to make a timely report to the Municipal (or County) Party Committee Office for Taiwan Work so that it may be examined and considered. These persons are requested to write down any comments they may have and to sign the report. This will be handled in accordance with the procedures for examining and considering travel applications.

"(6). Diplomatic personnel who receive invitations from Taiwan Chinese to visit Taiwan should ask for special instructions."

In addition, according to this information, the Chinese communists have integrated regulations regarding contacts of their people with ours. In the "Regulations

Concerning Contacts Between Our Visitors Abroad and Taiwan Chinese" the Chinese communists require that their people "express a high degree of patriotism when in contact with Taiwan Chinese and should assess the unique target they are dealing with to do what feels right and carry on the work. However, one should not try to force them to do what can't or won't be done and one should not be over-anxious for results. In conversation one should emphasize introduction of the party's policy for Taiwan, should point out that the great undertaking of uniting the fatherland is the joint duty of all Chinese including those on Taiwan and should oppose 'Two China's' and 'Taiwan Independence.' One should follow the formal documents published by the party and the government as well as the spirit of our leaders' words and realistically introduce the Taiwan Chinese to the situation at home in the fatherland and our bright future. As for dealing with anti-communist propaganda of the Kuomintang, patiently carry out persuasion work. As for the preachings of the Taiwan authorities about 'democracy, freedom, human rights, and rule of law' and 'economic prosperity,' one can proceed in a reasonable manner to indicate our principle views. One should avoid arguments with them over these kinds of issues and try to enlighten them with our righteous cause without nagging."

"When overseas one may make friends with Taiwan Chinese, carry on with mutual contact, have academic exchanges, and establish contacts through letters. One may attend school friendship associations, hometown associations and other such activities of allied friendship. One may comply with requests to help Taiwan Chinese locate relatives and friends, relay letters or pass on messages. One may welcome Taiwan Chinese to come visit and travel, visit relatives and see friends, and one should make clear that our government guarantees their freedom to come and go. If a Taiwan Chinese invites one of our people to visit Taiwan, one may respond by indicating that if one's safety is guaranteed one may go at an appropriate time."

"When situations arise in one's contacts with Taiwan Chinese one should report to the responsible leaders or responsible comrades in a diplomatic mission at the appropriate time and if the matter is a major one a timely request for instructions should be made."

"When situations arise in one's contacts with Taiwan Chinese one should report to the responsible leaders or responsible comrades in a diplomatic mission at the appropriate time and if the matter is a major one a timely request for instructions should be made."

Also there is a passage that says, "when Taiwan Chinese present gifts to our people they may be accepted on the spot and if the gift has on its surface a 'false flag' or a 'false country name' one need not take note of it because to refuse a gift under these circumstances could easily upset someone."

### New DPP Chairman Huang Hsin-Chieh Interviewed

40050207 Hong Kong CHIUSHIH NIENTAI  
in Chinese No 12, 1 Dec 88 pp 34-35

[By T'ang I 3282 3015]

[Excerpts] [Passage omitted] **Question:** Let me first congratulate you on your winning election as the third chairman for the Democratic Progressive Party [DPP]. I would like to know what you think is the chief reason for your victory this time.

**Huang Hsin-chieh [7806 0207 0094]:** Possibly, there are two reasons. The first, definitely, is the spirit of friendly cooperation that I had established in the past. The second is the lack of progress made by the DPP over the past two years, when the party was split and unable to assume the role of the opposition party. The delegates felt it was time for a change.

**Question:** The DPP expects to install you as its new chairman on 12 November. What are your goals, and what direction will party activities of the DPP take?

**Huang:** The first task will be resolving problems between many factions of the party. If party members cannot cooperate in a friendly atmosphere, and problems are always cropping up, how can we deal with external matters? I hope the DPP will no longer have a Mei-li Tao [the Beautiful Island faction], a progressive faction, or a New Wave faction, but only one DPP faction. The next will be proposing some reforms for the political system. The structure of government has been very mixed-up during the past 40 years of Kuomintang [KMT] rule of Taiwan. One cannot say that it has been military rule or democratic rule. Along these lines, the DPP will fight the KMT for political power and return it to the people. On another front, the DPP will fight for fiscal power, and return the monetary resources to the people. Finally, it will fully assume the role of the opposition party. Though we have a party at present, it has not been able to assert itself, whether in the Legislative Yuan or the provincial assembly, and most of the action has been on an individual basis. From now on, the DPP must concentrate on public policy studies, and in principle at least, comment on at least one public policy issue each month. This way, through watchfulness and leadership, the DPP can fully assume the opposition party role. Furthermore, all DPP affairs will be conducted in the open. We are considering opening meetings of the central standing committee to reporters.

**Question:** What do you think will be the great difficulty in carrying out these plans?

**Huang:** The first is having people understand our political views and support us. The second is finances. An opposition party has never had any money.

**Question:** How about the problem of internal integrity? Some people are concerned that contention for the DPP chairman post this time was done in an over-charged atmosphere which may lead to division in the DPP.

**Huang:** I cannot say whether the DPP will one day break up, but this definitely will not happen during my term. In the first place, I will allow people of other factions to have as much leeway as possible, for them to speak and participate politically, including resolution of many unnecessary confrontations. Secondly, the delegates electing me this time are mostly representatives of the people and civil service workers with comparatively more social resources. On the other hand, social resources of the labor-based New Wave faction are less adequate, so if there is a true breakup within the party, this faction will find it difficult to survive. Thirdly, as mentioned before, the DPP has not been spending time on external development in the past, wasting much time instead, on infighting. If we are serious about redirecting our focus toward winning political and fiscal power from the KMT, and have a say in setting public policy, when are we going to find time to fight among ourselves and break up? [Passage omitted]

**Question:** Can we talk about DPP's mainland China policy?

**Huang:** No reasons or factors exist for war between mainland China and Taiwan. There are only two conditions that may precipitate such an event. One is the critical juncture of life or death for the nation. The second is the extreme bully tactics practiced on one by the other. At present, these factors are not present in either side. The way I see it, it does not matter what happens in the future, both sides should coexist in peace, because this is best for the good of both. Furthermore, following increased contacts between the two, we will need a "Code for Mainland-Taiwan Relations" to define the relationship between the two. For example, do we recognize each other's laws? Does a death certificate issued by mainland China have any legal standing on Taiwan? These are the questions that should be resolved for us to better deal with legal problems bound to arise in the future.

**Question:** What about the area of economics? Chang Chun-hung [1728 0193 1347] seems to advocate developing closer economic and trade ties with the China mainland.

**Huang:** In considering the factors I will list, we think economic and trade exchanges between the two under certain conditions are definitely beneficial to both sides. In the first place, Taiwan lacks natural resources. In the second place, half of Taiwan's exports are shipped to the United States, but protectionism is on the rise over there. Third, devaluation of the U.S. dollar and the corresponding rise of the Taiwan yuan greatly affects Taiwan exports. Fourth, people's heightened awareness of environmental protection, fair wage standards, and

high labor costs have caused investors to hesitate. Because of this, many industries on Taiwan will become sunset enterprises, and difficult to keep alive, though a move to the China mainland may prolong their productive life for a time. Furthermore, if Taiwan's consumer industries and their international marketing experience can be combined with the mainland's technology and natural resources, both sides will benefit.

**Question:** Will the DPP be organizing a delegation to visit mainland China in the near future?

**Huang:** This question is premature. But I do believe that more mutual understanding will help avoid misunderstandings and confrontations. Even should something unfortunate happen, it can be resolved much more readily when there is mutual understanding.[Passage omitted]

**Question:** How about the relationship between the DPP and the overseas Taiwanese? Will there be some adjustments?

**Huang:** We will increase our contacts. At present, setting up party branches abroad is one of our goals. We hope their inclusive nature will allow individuals to participate to the extent they wish. But the focus of democratic movements on Taiwan is still based on Taiwan, and it is not necessary to be encumbered with too many relationships overseas, as long as we have mutual relationships that will provide verbal support when needed.

**Question:** After going through this election, can you predict the direction of the comparatively more intense Taiwan independence ideology and movement?

**Huang:** At present, I do not advocate "verbal declaration for Taiwan independence," but a "realistic independence." For example, comprehensive re-election of seats in the Legislative Yuan, once done, will automatically allow Taiwan to be independent. Whether or not Taiwan declares for independence is determined by its 19 million residents, and not by ten or so learned men. Do you think Taiwan will become independent just because you holler for it? At present, such tactics are not beneficial, only harmful. On the one hand, because of their political advantages, the KMT will not tolerate advocacies for independence. This, in turn, leads to more intra-island tension. On the other hand, this is also something the Chinese Communists cannot tolerate. If independence is allowed for Taiwan, what is there to stop Mongolia, Sinkiang and Tibet from wanting the same?[Passage omitted]

**Question:** Do you think the DPP's convention this time is successful? What do you think is outstanding?

**Huang:** The most outstanding feature is election of the chairman by all the party delegates. As the result, from now on, the chairman will be responsible to the convention, and not the central executive committee. The

position has more power, but also more responsibility. As for the conference agenda, I feel any great resolution in the future should be proposed earlier. For example, the election format this time was changed at the last minute when most of the delegates had already left. The fact that the faction got on the losing end is secondary, for rights belonging to the delegates should be protected. Furthermore, many important proposals were not discussed. We expect to convene an emergency meeting of all the delegates soon to discuss these proposals. On the whole, this convention has been successful.

**Question:** Some people have compared the 31 central executive committee members and the 11 standing committee members with those from the previous session and find most are unknown regional or local personalities. Because of this, they feel there is an overall drop in candidate quality, and even worry that matters of local concern will dwarf those of central concern, directing the party's attention toward reinforcing local interests in a regional federation. How do you regard this problem?

**Huang:** Democratic politics are originally local politics, which bring together people of different views. I find this quite normal. While the present committee members are more oriented toward regional matters and interests, as compared to members serving in the previous term, they will not abandon their participation in the party's larger central policies, because the two are closely related. As for candidate quality, not only has it not dropped this time, but improved, because those elected this time are more representative, quite different from those in the past who got elected to these posts because of their prestige or the loud speeches they made.

**Question:** But several important figures familiar with the political process and central government affairs at the

Legislative Yuan resigned from the DPP, people such as Chu Kao-cheng [4281 7559 2973], K'ang Ning-hsiang [1660 1380 4382], Yu Ch'ing [1429 3237], and others. Will the relation between the party central committee and party groups at the Legislative Yuan become cooler as the result?

**Huang:** No. I am quite familiar with this matter, and expect to improve on the relationship between the two. At the same time, because most of those in the party groups represent us (Note: the Pan-Mei-li Tao faction), the opportunities for mutual contacts and cooperation will be greater than in the past, and the party central committee will be paying them more attention, and utilizing them in their roles. At present, we are thinking about letting these groups sit in on meetings of the central standing committee in the future.

**Question:** What concrete plans does the DPP have for the election next year?

**Huang:** We have plans. Basically, the election next year will have entered the party political struggle phase where the important key is acceptance of a constructive appeal directed to the people who will vote for it. Our political views are divided into two areas: one concentrates on the various problems of the immediate concern, such as transportation, environmental pollution, labor problems, etc., where concrete and workable proposals can be offered. The other has to do with Taiwan's future, and plans acceptable to the people are supported. In other words, the attack tactics taken by the DPP in past elections will be replaced by a policy of constructive contest. [Passage omitted]

**Prospects for Formation of Party System in Hong Kong**

40050183 Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 182, 16 Dec 88 pp 28-30

[Article by Xie Yuanzhen [6200 5373 6297]: "A Gathering of Heros—Intense Preparations Underway To Form Political Parties"]

[Text] The Hong Kong Government knows that time is running out on the era of colonialism and has eased its control on political education. With the experience of three elections in the last 3 years, and subjected to continuous media persuasion, the people of Hong Kong have gradually shed their colonial enslavement mentality. But the term "political party" is still taboo in this society. The Chinese government's stern opposition to the formation of political parties in Hong Kong in 1985 and the conservative faction's alarmist talks, like "party politics is confrontational politics, and to form political parties is to attract the Communist Party," have kept the public away from political parties which are an important part of any political development.

When the sovereign right over Hong Kong changes hands in 1997, Hong Kong will be transformed from a colony into a Special Administrative Region [SAR]. At least in name, the power of government will be handed over to the people of Hong Kong. Those who have a desire to govern Hong Kong or to serve the people have already figured out that there are only 8-1/2 years until July 1997, and if one hopes to seize political power, one cannot act alone. Standing alone, even if one becomes the chief executive of the SAR, one will succumb to outside pressure and ultimately become a mere puppet. To get organized, one must act now. Although the present political climate may not be conducive to the development of a party system—no final decisions have been made on the Basic Law and the political program, and the Chinese government has not clarified its view on the party system—in the last few months, many in industrial and business circles and conservative and Democratic factions have been busy getting organized. Some have taken big strides; others have taken small steps, but none have stayed put. Barring any sudden changes, like Mr Li Hou giving his lion's roar, or Mr Xu Jiatun banging the table with a book or his spectacles, next year, we can expect to see the parties become openly active.

The biggest news in recent days, of course, is the reorganization of the Cai Jun Group. Lee Peng Fei [2621 7720 7378] and Cheong Kam Chuen [1728 7002 3123] formed the Hong Kong Economic Research Center a year or so ago, indicating that, just like Europe's Round Table Conference, Japan's Federation of Economic Organizations (Keidanren) and the United States's various foundations, it will be conducting economic policy research. They have hired Tsim Sui Hing [6124 3843 5281] and Chan Kai Yue [7115 1367 5069], both are seasoned political reporters formerly with the SOUTH CHINA

MORNING POST and until recently have been Hong Kong Government information officers. At that time, some people have already speculated that Lee and Cheong intended to form a political party again. The Economic Research Center was the start and the hiring of seasoned political reporters was for the purposes of making contacts in different circles and for formulating strategies, waiting to take further steps when opportunity ripens.

As early as 6 months ago, there were rumors that someone had been researching the Cai Jun Group's old political platform, and reportedly, the platform has been revised and brought up to date.

Since the beginning of this Legislative Council session, there has been an obvious change in Cheong Kam Chuen's workstyle. On the matter of the bid for the 1997 World Exposition, his subordinates have repeatedly leaked information to the outside, making it an issue of conflict of interest between the British and the people of Hong Kong. Cheong wants to win the 1997 Expo sponsorship for the people who have chosen to stay in Hong Kong. In the Gazette debate, he spared no effort in denouncing the defects of the bureaucratic structure. From the start of this session, he has become the chairman of the Executive-Legislative Councils Public Relations Group, the New Territories Affairs Group, the Legislative Council 1997 World Exposition Group, and the Hong Kong and Shanghai Bank Insurance Fee Study Group.

In the last 2 or 3 months, Tsim and Chan have been busy in media circles. Their targets are the seasoned and established reporters, editors, and young reporters generally acknowledged to have potential. In our last issue, this journal disclosed that former HONG KONG STANDARD reporter Lo Tak Hang [4151 1795 5899] and former SING PAO reporter Choi Man [5591 2404] might join the Economic Research Center. Massive hiring is still in progress. The Center will continue to expand and the expansion will be significant. Reportedly, they are looking for a 4,000-foot office. It will be a big operation.

More significant is that Lee and Cheong have hired a former senior government official for the Economic Research Center. Ching Hing Lai [4453 1987 4409], one time deputy minister of finance and former secretary of health and welfare, will be returning to Hong Kong to manage the Center. At present they are waiting for the governor's permission for this former senior official to return to work in Hong Kong. Ching Hing Lai not only has administrative and organizational experience, he is also familiar with the internal setup of the Hong Kong Government, and he has experience managing Hong Kong's financial affairs and will be an asset in organizing the party and mastering the ways of government.



The Cai Jun Group at one time was the result of Lee Peng Fei's hard work. Today, Cheong Kam Chuen is in charge of the reorganized group. Although Cheong is making every effort to keep the party issue low-key, he has clarified in public that the matter has nothing to do with Lee Peng Fei and the hiring of Ching Hing Lai was his personal doing. Lee Peng Fei has also announced that he has no intention of forming a party within the next 3 years.

The reason Lee Peng Fei has stayed behind the scene, besides the usual speculations, is that he has just become a senior member of the Legislative Council and wants to maintain an appearance of neutrality. Another, and a more important, reason may be that he wants to keep from repeating the damage done to him 3 years ago when the Chinese objected to his and others attempts to form parties. Many understand that Lee Peng Fei is behind the move to enlist Cheong Kam Chuen to form the party via the Economic Research Center, but if anything should go wrong, hopefully, it would not jeopardize the behind-the-scene general. Of course, if Cheong and Lee were not close like brothers, Cheong might not have been willing to play the role.

We assume that Cheong Kam Chuen is reorganizing the Cai Jun Group partly because he has been reviewing the Cai Jun Group's old political platform and because he and Lee Peng Fei used to be the center of the Cai Jun Group. But more importantly, it is believed that he has been recruiting the elite in industrial and business circles and among professionals. On this point, the group differs from the (?Li Jin Society) which embraces all classes, or the democratic faction which attracts both the middle class and people at the grass-roots level. Although this trait alienates many people, the reorganized Cai Jun Group is still formidable. The Hong Kong Government's organizational system has always recruited only the elite, and that is why the Executive Council, the Legislative Council, and the Urban Council have long been controlled by society's elite. Ideologically, they identify with the Economic Research Center, and the Cai Jun Group is naturally attractive to them. Moreover, Lee Peng Fei and Cheong Kam Chuen have inseparable ties with Hong Kong and Britain. Their attitude toward the British government is that of understanding and conciliation. If the British government harbors hope that the person in power after 1997 will give consideration to British interests, they will have better guarantee with the Cai Jun Group than the Li Jin Society or the democrats. Furthermore, reportedly, Cheong Kam Chuen's move to form a party has won the support of some very influential people in local political and business circles. There is nothing unusual about this. The first time Lee Peng Fei attempted to form a party, he had already stressed the importance of economics and the need to maintain Hong Kong's free economic system to ensure stability and prosperity and to guarantee investment opportunities for the big business magnates. In the past, the business tycoons have concentrated on making money and have never bothered with local politics. Today, supporting a

political party which in the future may control the government is like buying political insurance. The Cai Jun Group, of course, is far more attractive than the Li Jin Society which embraces all classes and the democrats whose main concern is democracy and the livelihood of the people. Cheong Kam Chuen's vigorous recruitment to staff the Economics Research Center, the hiring of Ching Hing Lai, and all the other expenses entailed in organizing the party may easily cost as much as \$10 million H.K. Without strong financial backing, it is impossible to launch this kind of activity.

Since early this year, Lee Peng Fei has repeatedly and publicly urged those in industry and business circles to take part in the 1991 direct election. Recently, Cheong Kam Chuen has actively "echoed" the sentiment. The one to feel the most pressure, naturally, is their colleague in the Legislative Council and chairman of the Li Jin Society, Tam Wai Chu [6223 8396 3796]. Cheong Kam Chuen's seeking behind-the-scene financial support and public party members is an assault on the network Tam Wai Chu's has gradually built along the way. Take the 89-member Industry and Business Professional Consultation Group for example. Some of the core members of this group, like Ng Siao Ching [0124 1420 6297] and Leung Chang Ying [2733 2182 5391] are members of Li Jin Society; Cheong Kam Chuen is also a member. In the past, the group had strongly opposed the formation of political parties. But in the last couple of months, their attitude has changed dramatically. The organizer of the group, Lo Hong Sui [5012 1660 3843] has acknowledged that political parties are inevitable and that many in the 89-member group have indicated privately that they will play a part in the party activities, but Lo also said that the 89-member group itself would not become a political party and jokingly said that the group might even split up. Tam Wai Chu and Cheong Kam Chuen have privately persuaded the 89 members to join their respective organizations, and the idea of the 89 members splitting up should surprise nobody.

Being a member of the Executive Council and the Legislative Council herself, Tam Wai Chu naturally pays attention to her colleague's unusual activities, especially those that could jeopardize her. In the September Legislative Council election, in a magnanimous gesture, Tam Wai Chu extended her help to many Li Jin Society members. This might have been her response to those unusual activities. After the election, she told news reporters that she had supported a total of 12 Li Jin Society members and good friends, and 8 have been elected to the Council. Even then, people had the hunch that Tam Wai Chu was putting on a show of force and wondered who her intended audience might be.

In October, interviewed by the HONG KONG ECONOMICS JOURNAL MONTHLY, Tam Wai Chu said that whether industrial and business circles could get organized was still a question mark, but if a party did come into existence, and if this party should become the core of a movement to mobilize other matters, or if this



party should take a stand on every issue to the extent other people felt threatened, then the industrial and business circles would get organized—"every action triggers a reaction"—this is Newton's Law, and she believed in it.

She also said that she would not be the first to organize a party, but neither would she be the last.

Probably, even back then, Tam Wai Chu was already feeling the pressure. She probably was warning Cheong Kam Chuen, who had taken action, that she would react, that not to be outdone, she too would organize a party.

Strictly speaking, the Li Jin Society has not developed into a political party. It is organized and has recruited members from every walk of life; there are Executive Council members, Legislative Council members, and Urban Council members as well as members of the Chinese People's Political Consultative Conference and nearly 50 regional council members. But the Li Jin Society has no party discipline nor party constitution and lacks internal organization and clear direction.

Li Jin Society is Tam Wai Chu's singled-handed creation. It is an extension of Tam Wai Chu who has always identified with her grass-roots background. She started at the bottom rung of the Urban Council and moved to the Legislative Council and eventually to the Executive Council. She has risen faster than even Lee Peng Fei. In the Executive Council, she is more experienced than Lee and ranks second only to Lydia Dunn and Lee Quo-Wei [0448 0948 0251] in seniority. When the Basic Law Drafting Committee was being formed, the Chinese government drafted her as a member. She is often looked upon by the Chinese government as representing the views of the British and Hong Kong, but on the other hand, she has maintained a good relationship with the Chinese. It has been noted that at the Drafting Committee's Central Government-SAR Liaison Group meeting last month, she was the sole dissenter among the Hong Kong delegates who came to the rescue of the Chinese side. Tam's strongest point is that she is willing and able to revise her stance to accommodate reality. Article 27 of the Public Security Act is a good example.

Since its inception in early 1985, and although at one time it was a very low key organization because of the Chinese government's objection to political parties, the Li Jin Society has never stopped making contacts with neighborhood forces, local organizations, or even local pro-Chinese organizations. Election after election has demonstrated that its grass-roots level organization is expanding. When the Li Jin Society took an active part in reviewing the Regulation on Privately-Owned Buildings, it contacted various registered homeowner's associations, reflecting fully its effort to rally support from all sides.

When it comes to manpower, however, the Li Jin Society is no match for the democrats. Even Tam Wai Chu admits that for every 100 man-hour the democratic faction has, her group has only 4. When it comes to fund raising, Li Jin Society obviously cannot match the Cai Jun Party in attracting the capitalists.

In organizational development, the Li Jin Society has not lived up to its classless slogan. Within the Li Jin Society, grass-roots people, that is, people from the neighborhood or the small factories and businesses, and the big business tycoons and professionals form two separate circles, and they do not mix. Furthermore, the Li Jin Society has no clear political platform. Is it its intention to protect the interests of the industrial and business circles? Or is it fighting for democracy and freedom for the people? The Li Jin Society, at most, has spoken of stability and prosperity but has not proposed how that can be attained, and in the final analysis, they often only play a supporting role in the construction of the new system.

As the leader of the Li Jin Society, Tam Wai Chu of course understands the Society's internal problems. She has spoken of the need to cultivate successors so that the Li Jin Society will not be rendered her personal society and of the need to increase Li Jin Society's financial resources and manpower. As for finding a way to unite the two factions within the organization and create a brighter image for the Society, we can only speculate, in looking at her greying hair, that she has a lot in her mind.

The democratic faction is even more complicated. Two years ago, the three main organizations, Hong Kong Affairs Association, Meeting Point, and the Hong Kong Association for the Promotion of Democracy and the People's Livelihood, had begun to discuss the possibility of merging to form a new party. But amid many disputes, they failed to reconcile their differences.

In the last two months, there have been new developments in the merger. The Hong Kong Affairs Society has proposed that the three organizations first form a grand alliance. They will cooperate slightly more closely than the mass organizations or joint conferences which get together to support a political system or some issues, but not to the extent of becoming a new political party. The grand alliance will allow the triad to cooperate to a large extent and require the three to honor their joint decisions, unlike the past "do what you can" arrangement. The purpose of this move is to give the party a chance, by asking the triad to take one more step and see to what extent they can cooperate with one another, and it also gives them a chance to communicate with one another on specific policies and issues.

The Association for Democracy [short for the Hong Kong Association for the Promotion of Democracy and the People's Livelihood] has expressed some interest in the proposal, but Meeting Point has not been receptive.

To understand the latter's concern, we must first understand the characteristics of the three organizations: the majority of the members of the Hong Kong Affairs Society are middle class and professionals; members of Meeting Point include the middle class, intellectuals, and people from the grass-roots level; members of the Association for Democracy are from the grass-roots level. As for their attitude toward China, the Hong Kong Affairs Society is somewhat anti-communist; Meeting Point stresses restoration of democracy; and the Association for Democracy basically is pro-Chinese but its main concern is the livelihood of the Hong Kong people at the grass-roots level.

According to a friend in the Meeting Point, the triad has given people an impression of close cooperation and unison, and at this year's regional council election, the three have cooperated and shared financial resources. But whether the triad can become an alliance-type unified political party will depend on external situations. In 1986, a group of 57 proposed an election by electoral college program, and to counter this formidable enemy, the triad has banded together. But before the three can merge into one, many issues must be resolved. The three organizations have different views toward China. The question of whether they should cooperate with China or keep their distance will affect the party's direction. Meeting Point believes that Hong Kong's healthy development rests on China's healthy development, and furthermore, it does not believe in vying for seats in the government; it does not think that politics is necessarily a matter of having a seat in the government, which differs from the stance of the other two organizations. Also, in the past, the triad has never exchanged views on political issues and has cooperated only on cardinal issues regarding the political system. They differ on education, health care, and other policy issues. They must meet face to face, and if they cannot resolve their differences over those issues, even if they enter into a democratic grand alliance, it will be a haphazard organization. For this reason, the Meeting Point wants to let things take its natural course.

The friend also said that Meeting Point had set up offices and public relations networks in New Territories, East, and New Territories, West, last year, and if they hastily merged with the new party, it could sever new ties, and they doubted that some of their supporters would automatically shift their allegiance to the new organization, and therefore they wanted to consider the merger issue carefully and did not want to act in haste.

A member of the democratic faction speculated that another reason the Meeting Point has been hesitant is that the organization has never had government ambition. Today, the Meeting Point has district offices and a score of regional council members, and in the 1991 Legislative Council election, it can expect to win 2 or 3 seats. For an organization on the outside, this is more than satisfactory.

Reportedly, the next step could be discussions to merge the Hong Kong Affairs Society and the Association for Democracy, giving up the Meeting Point for the time being. If the latter gains confidence in the new organization, it is welcome to join later. Someone close to the higher ups in the Hong Kong Affairs Society has characterized the Society as a think tank and the Association for Democracy as more of a grass-roots organization and said that their merger would supply each other's needs. He said that there was nothing wrong with dropping the Meeting Point—to have potential allies on the outside could only add to the momentum. He cited the Teachers' Association as example: it is not a member of the triad but has good relations with the three and has often cooperated with them.

It seems that any real progress in this merger, whether of the three organizations or just two, will take time. When it comes to taking overt actions to form a party, the democrats will lag behind those in industrial and business circles and the Li Jin Society.

Although the three major powers are actively considering the political party issue, prospects for the formation of a party system in Hong Kong still hinge on the Basic Law and the attitude of the Hong Kong government and the Chinese government.

If the Basic Law makes no promises about election by universal suffrage of the chief executive and the legislative body and allows election only through the functional constituencies and electoral colleges, then the need for political parties will be greatly diminished. There will be little need for a powerful organization to mobilize the citizens to vote. Everything will be determined by a few dozen or a few hundred people. The shortest or the necessary route to the chief executive's office need not be the party. As for the Basic Law, the storm over Louis Cha Leung Yung's [2686 5328 6978] principal program still rages on. The course of development of the political system in the SAR is yet uncharted.

Next, there is the matter of the attitude of the Chinese government. Ever since 1985 when the Chinese stopped short the activities of Lee Peng Fei and Tam Wai Chu, the Chinese has been mum on the question of political parties. Even when the Basic Law Citizen's Rights and Obligations Group was discussing the issue of freedom of association, the Chinese side remained silent on the issue. It was only recently that the Chinese side began to clarify its position somewhat:

On 22 November, pressed by reporters, Li Hou said that Hong Kong's political organizations were inevitable, that he knew of their existence, but personally he thought that if the political organizations should turn into political parties, it would cause many problems. Hong Kong is a region, not a country, and he wondered if political parties are appropriate for a region, and if there are political parties in Hong Kong, should China's two

major parties, the Communist Party and the Kuomintang, be active in Hong Kong too? He said he believed that those in industrial and business circles would look at the situation and then set up political organizations.

Recently, a special column in the WEN WEI PO commented to the effect that considering Hong Kong's situation, if there are going to be political parties anyway, it is better to have them later than sooner, just so a few politicians will be deprived of the chance to play politics. If people want to organize political parties, they should not be stopped, but neither should they be encouraged.

The Chinese government has not given the green light to the formation of political parties.

Even though the Hong Kong Government has often been mocked the lame duck government, in the interim, it is still the government of Hong Kong; it still holds many political resources. Its trump card is the Executive Council seats and the chairmanships of the many administrative bureaus and consultative committees. If these resources are used to groom a particular party or faction, it will give that party or faction substantial real power in the post-1997 political arena. But looking at the recent appointments, although the Cai Jun Group has close ties with the Hong Kong Government and is being looked after, neither the democrats nor the Li Jin Society has been slighted. Li Jin Society's vice-chairman Chong Pui Lam [6949 3099 2651] has been named chairman of the Private Building Consultative Committee, which is of strategic significance to the Li Jin Society's effort to

forge a closer relationship with the private building owners. The appointment of staunch democrat Lee Chu-Ming [2621 2691 6900] to the Consumer Protection Agency ties in with the democratic and people's livelihood movement.

In the past, before the British withdrew from a colony, they had cultivated many political parties and factions. Will they do the same in Hong Kong?

This writer wants to clarify one viewpoint, that is, many conservatives think that party politics will bring antagonism and disunity and will attract the Communists. It is this kind of alarmist theory that undermines social stability.

The advantage of the party system is that it brings the antagonisms and conflicts to the open to be resolved in the proper legislative assembly. People from different walks of life with different interests can choose or organize different political parties to be their spokesmen so that the legislative assembly will not over-represent the interests of one class.

Furthermore, parties formulate clear political programs, cultivate experienced political figures, and supervise the conduct of the members via party discipline. This is a sure way to avoid having too many petty politicians who utter too much political nonsense.

To be overly fearful of or prejudiced against political parties will only suppress their normal development and lend assistance to those with an ulterior motive to usurp the executive power in the future SAR.